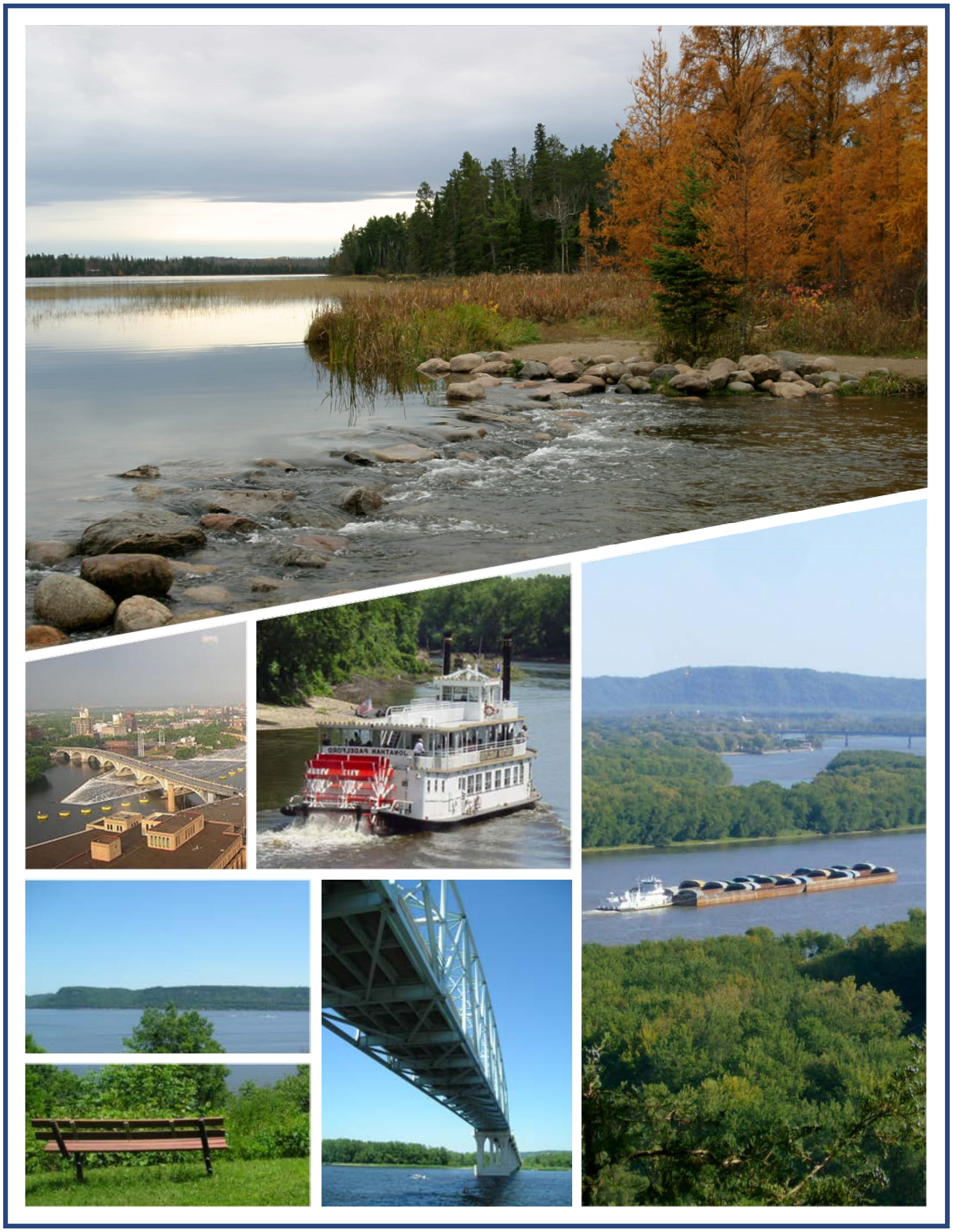
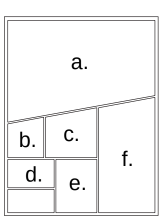
State of Minnesota

Comprehensive Annual Financial Report



For the Year Ended June 30, 2010

Minnesota State is defined by its connection with the Mississippi River. Headwaters for the mighty river are located in Itasca State Park. Flowing through Minneapolis, the state's largest city, and Saint Paul, the state's capital, it continues to Lake Pepin, the birthplace of water skiing and home to hundreds of bald eagles and other water fowl. Distinctive bridges spanning the river connect us with the eastern half of the nation and its stream carries our natural resources to the Gulf Coast.



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State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

Prepared by Minnesota
Management and Budget
Steve Sviggum,
Commissioner
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155

State of Minnesota

2010 Comprehensive Annual Financial Report

The State of Minnesota Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Comprehensive Annual Financial Report is available at the following website:
http://www.mmb.state.mn.us/

State of Minnesota

2010 Comprehensive Annual Financial Report

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State of Minnesota

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Headwaters of the mighty Mississippi

State of Minnesota

2010 Comprehensive Annual Financial Report

Transmittal Letter from the Commissioner of Minnesota Management and Budget

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 201-8000
Fax: (651) 296-8685
TTY: 1-800-627-3529

December 20, 2010

The Honorable Tim Pawlenty, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2010. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

- Introduction Section – Includes this letter of transmittal, the certificate of achievement, the state's organization chart, and the list of principal officials.

- Financial Section – Includes the auditor's opinion, the management's discussion and analysis, the basic financial statements, the combining and individual fund statements for nonmajor funds, and the general obligation debt schedule. The Notes to the Financial Statements, in the basic financial statements, are necessary for an understanding of the information included in the statements. The notes include the Summary of Significant Accounting Policies and other necessary disclosure of matters relating to the financial position of the state.

- Statistical Section – Includes mainly trend data and nonfinancial information useful in assessing a government's financial condition.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2010. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs" will be available in March 2011.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

Financial Reporting Entity and Responsibilities

The financial reporting entity consists of all the funds of the primary government, as well as its component units. Component units are legally separate organizations for which the state is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's governing body, and either (a) the ability of the state to impose its will, or (b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government; the organization is fiscally dependent on the primary government; or the nature and relationship between the primary government and the organization is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Housing Finance Agency, Metropolitan Council, University of Minnesota, Agricultural and Economic Development Board, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, Rural Finance Authority, and Workers' Compensation Assigned Risk Plan are component units reported discretely. The state has either the ability to impose its will over these agencies or provides substantial funding.

Minnesota Management and Budget is responsible for the Minnesota Accounting and Procurement System (MAPS) and the information warehouse from which these financial statements were prepared. MAPS is maintained primarily on a budgetary basis of accounting. However, certain accrual information is recorded in MAPS. The budgetary basis recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. Since this budgetary basis differs from GAAP, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

Minnesota Management and Budget is also responsible for designing and applying the state's system of internal accounting controls. These controls provide reasonable assurance that the state's assets are protected against loss and that the accounting records from which the financial statements are prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

Budget Process - The state's fiscal period is a biennium. The Governor's biennial budget is presented to the legislature in January, or February after a gubernatorial transition, of odd numbered years for the upcoming biennium. The state constitution and statutes require a balanced budget for the biennium. Specific legislative appropriations are required for several funds. These funds include the General, Trunk Highway, Highway User Tax Distribution, State Airports, Petroleum Tank Cleanup, Natural Resources, Game and Fish, Environmental and Remediation, Heritage, Special Compensation, Health Care Access, and Workforce Development funds.

Budgetary control is provided primarily through the accounting system. Appropriations are established in the accounting system at the amounts provided in the appropriation laws. The accounting system does not permit expenditures in excess of these amounts.

Implementation of New Accounting Standards

During the current year, the state implemented seven new Generally Accepted Accounting Principles (GAAP), including GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions, which resulted in changes to the state's fund structure. These changes primarily related to several special revenue funds no longer meeting the GAAP definition of a special revenue fund which are now being reported in the General Fund for GAAP purposes.

Economic Condition and Outlook

Minnesota appears to be recovering from the Great Recession more rapidly than much of the rest of the nation. The state's June 2010 unemployment rate was 6.8 percent, eighth lowest among states, and 1.6 percentage points below the 8.4 percent rate observed a year earlier. Minnesota's unemployment rate was also 2.7 percentage points less than the national rate of 9.5 percent. Payroll employment in Minnesota began to grow in September 2009 and by the end of the fiscal year 2010, Minnesota had added 9,000 jobs over June 2009. Nationally, employment in June 2010 was 0.2 percent less than year earlier levels; in Minnesota, employment was up 0.3 percent. The growth in jobs, however, does not mean that employment in the state has recovered to its pre-recession peak. Minnesota lost nearly 154,000 jobs between December 2007 and September 2009. By the close of fiscal year 2010, Minnesota employment had grown by 34,000, leaving 120,000 fewer jobs in the state than at the end of calendar 2007.

Minnesota's employment turnaround was limited to service sector jobs. Manufacturing employment remained at year earlier levels and construction jobs continued to decline an additional 7,000 jobs from the end of fiscal 2009. Construction employment in Minnesota has fallen by nearly 28 percent since the start of the recession, and by more than one-third from its pre-recession high. Health care, leisure and hospitality, and business and professional services were the sectors with the greatest employment growth during the past fiscal year.

Personal income in Minnesota grew by 2.7 percent between the end of fiscal year 2009 and the end of fiscal year 2010, 0.5 percentage points faster than the national growth rate of 2.2 percent. Minnesota wages also grew faster than the U.S. average over the past year. At the close of the fiscal year 2010, Minnesota wages were $123.6 billion, 1.9 percent more than at the close of the 2009 fiscal year. Over that same period, U.S. wages grew less than one half as fast, up by 0.8 percent.

The outlook for Minnesota in fiscal year 2011 is very similar to the national outlook. In Minnesota, employment is expected to increase by 16,000 jobs, 0.6 percent, in fiscal year 2011. Nationally, employment growth of 0.7 percent is projected. Minnesota wages are projected to grow by 3.4 percent in fiscal year 2011 and personal income by 3.5 percent compared to national average of 2.9 and 3.1, respectively. Manufacturing employment is projected to add 6,000 jobs, while construction is projected to decline an additional 3,000 jobs. Employment is forecasted to grow the most in the health care services sector, where an additional 12,000 jobs are expected to be added in fiscal year 2011.

General Fund Condition

The 2010-2011 enacted biennial budget decreased General Fund spending on a budgetary basis by 9.8 percent compared to the 2008-2009 biennium. Two significant factors reduced 2010-2011 biennial spending on a one-time basis: funding received through the federal American Recovery and Reinvestment Act (ARRA) and the K-12 payment deferral. Without the impact of moving General Fund expenditures to the Federal Fund (special revenue fund) through ARRA grants and the K-12 payment shifts, the 2010-2011 biennial budget would have increased by 1.4 percent relative to the 2008-2009 biennial budget. The total General Fund impact of ARRA grants in fiscal years 2009-2011 was $2.7 billion. The total impact of the K-12 payment shifts in the 2010-2011 biennium was $1.9 billion.

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2010 with an undesignated fund balance of $75 million. On a GAAP basis, the General Fund reported a deficit of $886 million, a decrease of $961 million from the budgetary General Fund balance. The difference between the budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, as a result of implementing GASB Statement No. 54, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $860 million. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was $1.8 billion. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twenty-fifth consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Although Minnesota Management and Budget accepts final responsibility for this report, staff in many other state agencies and component units provided much of the data. Assistance from these organizations ranged from providing necessary data to actual preparation of financial statements. I appreciate the dedication of the people in Minnesota Management and Budget and in other agencies who helped in the preparation of this report, without whose efforts this report would not have been possible.

Sincerely,

Steve Sviggum
Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

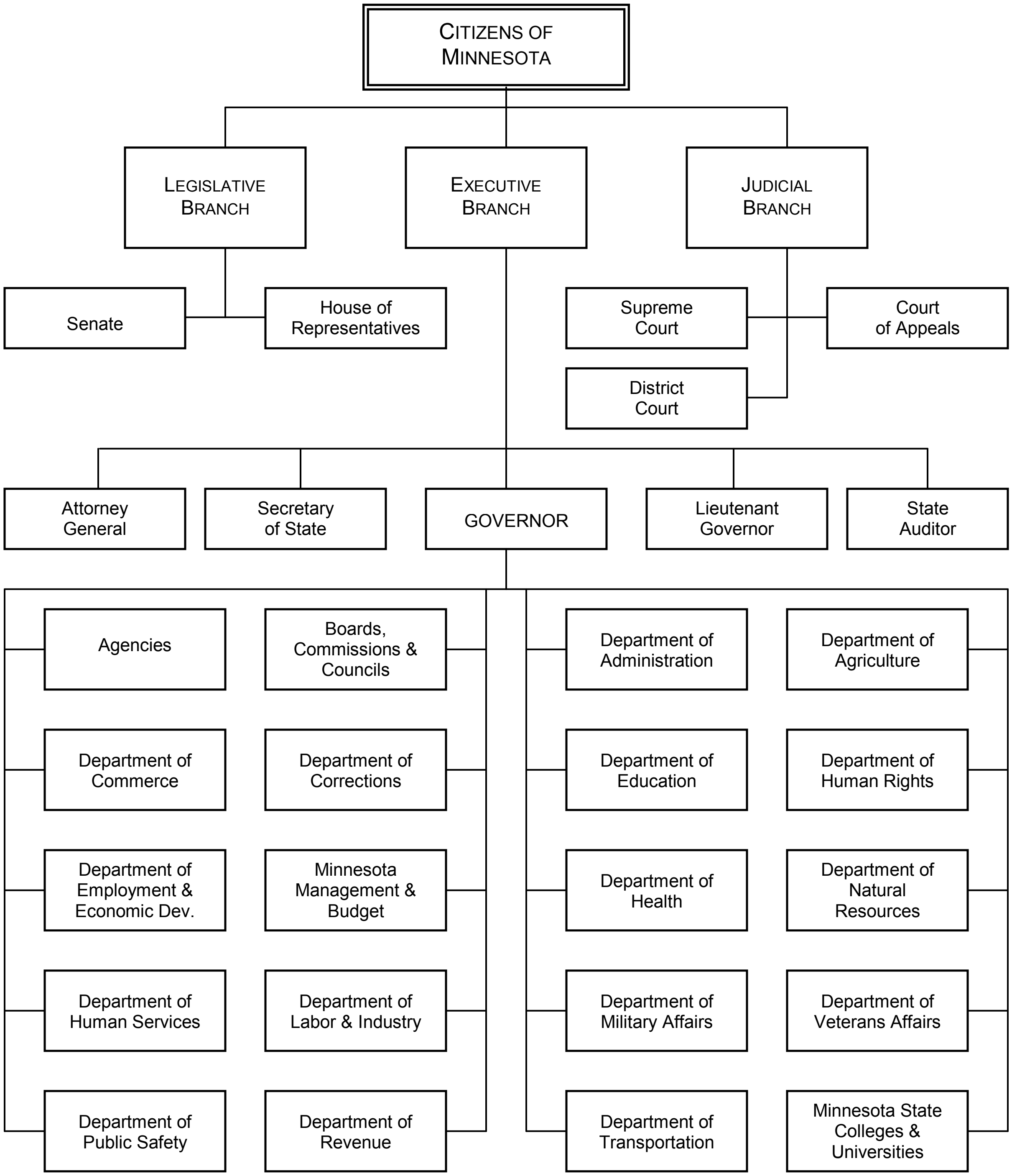
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

State Organization Chart



State Principal Officials

Executive Branch

Governor	Tim Pawlenty
Lieutenant Governor	Carol Molnau
Attorney General	Lori Swanson
Secretary of State	Mark Ritchie
State Auditor	Rebecca Otto

Legislative Branch

Speaker of the House of Representatives	Margaret Anderson Kelliher
President of the Senate	James P. Metzen

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

Financial Section

2010
Comprehensive
Annual
Financial Report

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Steve Sviggum, Commissioner, Minnesota Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2010, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 81 percent, 115 percent,[1] and 18 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of the National Sports Center Foundation and the Workers' Compensation Assigned Risk Plan, which are discretely presented component units, were not audited in accordance with *Government Auditing Standards*. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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[1] The net assets of the Minnesota State Colleges and Universities exceed the total net assets of the state's business-type activities due to a $266 million deficit in the Unemployment Insurance Fund.

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E-mail: auditor@state.mn.us • Web Site: www.auditor.leg.state.mn.us • Through Minnesota Relay: 1-800-627-3529 or 7-1-1

As discussed in Note 1 to the basic financial statements, the State of Minnesota adopted Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets;* Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments;* and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions;* Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* for the year ended June 30, 2010.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Minnesota's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, are not a required part of the State of Minnesota's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

December 20, 2010

MINNESOTA

Headwaters of the mighty Mississippi

2010 Comprehensive Annual Financial Report
Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2010, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

The focus of Minnesota's financial reporting is on the state as a whole, and on the individual funds that are considered to be major. This reporting focus presents a more comprehensive view of Minnesota's financial activities and financial position, and makes the comparison of Minnesota's government to other governments easier.

The financial section of this annual report has four parts:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements – Nonmajor Funds

The report also includes statistical and economic information, which generally provides a ten-year history of various indicators.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements that provide more detailed information to the users of the financial statements.

Government-wide Financial Statements

The government-wide financial statements provide an overall view of the state's operations in a manner similar to a private-sector business. Government-wide financial statements consist of the *statement of net assets* and the *statement of activities* that are prepared using the economic resources measurement focus and the accrual basis of accounting. All current year revenues and expenses are included in the statements regardless of whether the related cash has been received or paid. Revenues and expenses are reported in the statement of activities for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes, accounts receivable, and earned but unused vacation leave). This reporting method produces a view of financial activities and position similar to that presented by most private-sector companies. The statements provide both short-term and long-term information about the state's financial position, which assists readers in assessing the state's economic condition at the end of the fiscal year.

The government-wide financial statements are located immediately following this discussion and analysis.

The *statement of net assets* presents all of the state's financial resources along with capital assets and long-term obligations. The statement includes all assets and liabilities of the state. *Net assets* is the difference between assets and liabilities and is one method to measure the state's financial condition.

- An increase or decrease in the state's net assets from one year to the next indicates whether the financial position of the state is improving or deteriorating.

- Other indicators of the state's financial condition include the condition of its infrastructure and economic events and trends that affect future revenues and expenses.

The *statement of activities* presents the changes in net assets and reports on the gross and net cost of various activities carried out by the state (governmental, business-type, and component units). These costs are paid by general taxes and other revenues generated by the state. This statement summarizes the cost of providing specific services by the government, and includes all current year revenues and expenses.

The statement of net assets and the statement of activities segregate the activities of the state into three types:

Governmental Activities

The governmental activities of the state include most basic services such as environmental resources, general government, transportation, education, health and human services, and public safety. Most of the costs of these activities are financed by taxes, fees, and federal grants.

Business-type Activities

The business-type activities of the state normally are intended to recover all, or a significant portion of, their costs through user fees and charges to external users of goods and services. The operations of the Unemployment Insurance Fund, the State Colleges and Universities, and the Lottery are examples of business-type activities.

Discretely Presented Component Units

Component units are legally separate organizations for which the state is financially accountable, or the nature and significance of the unit's relationship with the state is such that exclusion of the unit would cause the state's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit governing body, and either a) the ability of the state to impose its will, or b) the potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government.

The state's nine component units are reported in two categories: major and nonmajor. This categorization is based on the relative size of an individual component unit's assets, liabilities, revenues, and expenses in relation to the total of all component units and the primary government.

The state's three discretely presented major component units are:

- Housing Finance Agency

- Metropolitan Council

- University of Minnesota

The state's six nonmajor component units are combined into a single column for reporting in the fund financial statements. These nonmajor component units are:

- Agricultural and Economic Development Board
- National Sports Center Foundation
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority
- Workers' Compensation Assigned Risk Plan

State Fund and Component Unit Financial Statements

A fund is a grouping of related self-balancing accounts used to maintain control over resources that have been segregated for specific activities or objectives. The state of Minnesota, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial statements present financial information in a format familiar to experienced users of governmental financial statements and reports. The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

Governmental funds record most of the basic services provided by the state and account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, the fund financial statements focus on how money flows in and out of the funds during a fiscal year and spendable resources available at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting, which recognizes revenues when they are available and measurable. Expenditures are generally recognized in the accounting period when the fund liability is incurred, if measurable. This approach is known as the flow of current financial resources measurement focus. These statements provide a detailed short-term view of the state's finances that assists in determining whether there are more or less resources available and whether these financial resources will be adequate to meet the current needs of the state. Governmental funds include the General, special revenue, capital project, Debt Service, and Permanent funds.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing this financial information, readers may better understand the long-term impact of the state's short-term financing decisions.

The basic financial statements include a reconciliation of governmental funds to governmental activities. These reconciliations follow the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The state maintained 29 individual governmental funds. However, six of these funds were either moved to the General Fund or combined into another fund and one fund was split and a portion of the activity was moved to the General Fund as a result of implementing Governmental Accounting Standards Board

(GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Information is presented separately in the governmental funds *balance sheet* and in the governmental funds *statement of revenues, expenditures, and changes in fund balances* for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

The state adopts a biennial budget with annual appropriations for the majority of the activity reported in the General Fund. A budgetary comparison statement has been provided for the General Fund activity with appropriations included in the biennial budget to demonstrate compliance with this budget.

Proprietary Funds

When the state charges customers for the services it provides, whether to outside customers or to other agencies within the state, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting which is the same method used by private-sector businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Enterprise funds, a type of proprietary fund, are used to report activities that provide goods and services to outside (non-government) customers, including the general public. Internal service funds are an accounting device used to accumulate and allocate costs internally for goods and services provided by one program of the state to another. Because the activities reported by internal service funds predominantly benefit governmental functions rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

The state maintains 17 individual proprietary funds. The State Colleges and Universities and Unemployment Insurance funds, both of which are considered major funds, are presented separately in the proprietary funds *statement of net assets* and in the proprietary funds *statement of revenues, expenses, and changes in net assets*. Information from the 8 nonmajor enterprise funds and the 7 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

Fiduciary funds are used to report activities when the state acts as a trustee or fiduciary to hold resources for the benefit of parties outside the state. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the state to finance its operations. The state must assure that the assets reported in fiduciary funds are used for their intended purposes.

The state maintains 21 individual fiduciary funds. The state's fiduciary funds are the pension trust funds, the investment trust funds (which account for the transactions, assets, liabilities, and fund equity of the external investment pools), and the Agency Fund (which accounts for the assets held for distribution by the state as an agent for other governmental units, other organizations, or individuals). Individual fund detail is included in the combining financial statements included in this report.

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the component units in a single column on the statement of net assets. Also, some information on the statement of changes in net assets is aggregated for component units. The component units' *statements of net assets* and *statement of changes in net assets* provide detail for each major component unit and aggregate the detail for nonmajor component units. Individual nonmajor component unit detail can be found in the combining financial statements included in this report.

Notes to the Financial Statements

The notes provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide financial statements and the fund financial statements. The notes to the financial statements are located immediately following component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This section includes maintenance data regarding certain portions of the state's infrastructure, actuarial measures of pension and other postemployment benefits funding progress, and public employees insurance program development information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

Financial Highlights

Change in Accounting Principles and Prior Period Adjustments

- The state implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." The fiscal year 2009 Statement of Net Assets, and Changes in Net Assets have been restated to reflect these changes for comparison purposes.

- The state also restated fiscal year 2009 to reflect prior period adjustments related to capital assets. See Capital Asset section for further discussion.

Government-wide

- The assets of the state exceeded liabilities at June 30, 2010, by $10.9 billion (presented as *net assets*). Of this amount, a deficit of $2.9 billion was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

- The state's total net assets decreased by $1.2 billion (9.9 percent) during fiscal year 2010. Net assets of governmental activities decreased by $761 million (7.5 percent), while net assets of the business-type activities showed a decrease of $439 million (22.6 percent). For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $2.8 billion, a decrease of $774 million compared to the prior year. Included in the ending fund balance is a General Fund unassigned deficit of $1.5 billion. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by $1.2 billion (17.5 percent) during the current fiscal year. The increase is partially due to an increase in loans for the Unemployment Insurance Fund (enterprise fund) due to a cash advance from the U.S. Treasury for unemployment benefit payments. In addition, the state issued general obligation bonds for trunk highway projects and other various state purposes, revenue bonds for a statewide 911 emergency response communication system, and Certificates of Participation for the statewide accounting and procurement system and an integrated tax system.

Government-wide Financial Analysis

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. The state's combined net assets (governmental and business-type activities) totaled $10.9 billion at the end of 2010, compared to $12.1 billion at the end of the previous year.

Net Assets
June 30, 2010 and 2009
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current Assets	$ 9,109,033	$ 8,465,565	$ 1,341,897	$ 1,233,270	$ 10,450,930	$ 9,698,835
Noncurrent Assets:						
Capital Assets[2]	11,982,234	11,459,985	1,776,280	1,639,442	13,758,514	13,099,427
Other Assets	853,394	753,474	138,734	168,620	992,128	922,094
Total Assets	$ 21,944,661	$ 20,679,024	$ 3,256,911	$ 3,041,332	$ 25,201,572	$ 23,720,356
Current Liabilities	$ 6,384,468	$ 4,899,954	$ 418,899	$ 412,129	$ 6,803,367	$ 5,312,083
Noncurrent Liabilities	6,198,043	5,656,275	1,335,066	687,424	7,533,109	6,343,699
Total Liabilities	$ 12,582,511	$ 10,556,229	$ 1,753,965	$ 1,099,553	$ 14,336,476	$ 11,655,782
Net Assets:						
Invested in Capital Assets, Net of Related Debt[2]	$ 8,947,341	$ 8,488,031	$ 1,293,856	$ 1,243,286	$ 10,241,197	$ 9,731,317
Restricted[1]	3,060,905	2,737,947	509,705	737,400	3,570,610	3,475,347
Unrestricted[1]	(2,646,096)	(1,103,183)	(300,615)	(38,907)	(2,946,711)	(1,142,090)
Total Net Assets	$ 9,362,150	$ 10,122,795	$ 1,502,946	$ 1,941,779	$ 10,865,096	$ 12,064,574

(1) 2009 has been restated to be consistent with 2010 presentation.

(2) 2009 has been restated to reflect the change in accounting principle and prior period adjustments.

The largest portion, $10.2 billion of $10.9 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $3.6 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net asset restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net assets balance represents a deficit in unrestricted net assets of $2.9 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net assets; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities decreased $1.2 billion (9.9 percent) over the course of this fiscal year. This resulted from a $761 million (7.5 percent) decrease in net assets of governmental activities, and a $439 million (22.6 percent) decrease in net assets of business-type activities.

Changes in Net Assets
Fiscal Years Ended June 30, 2010 and 2009
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services [1]	$ 1,231,253	$ 1,189,748	$ 2,489,629	$ 2,263,061	$ 3,720,882	$ 3,452,809
Operating Grants and Contributions [1]	10,164,213	7,754,986	1,958,195	953,318	12,122,408	8,708,304
Capital Grants	206,292	272,736	1,554	4,262	207,846	276,998
General Revenues:						
Individual Income Taxes	6,792,510	7,203,337	-	-	6,792,510	7,203,337
Corporate Income Taxes	539,534	741,049	-	-	539,534	741,049
Sales Taxes	4,379,236	4,338,748	-	-	4,379,236	4,338,748
Property Taxes	746,685	733,899	-	-	746,685	733,899
Motor Vehicle Taxes	997,214	955,785	-	-	997,214	955,785
Fuel Taxes	826,574	758,271	-	-	826,574	758,271
Other Taxes	2,224,237	2,206,648	-	-	2,224,237	2,206,648
Tobacco Settlement	157,924	176,140	-	-	157,924	176,140
Investment/Interest Income	21,242	57,790	8,483	32,306	29,725	90,096
Other Revenues	145,608	95,316	-	630	145,608	95,946
Total Revenues	$ 28,432,522	$ 26,484,453	$ 4,457,861	$ 3,253,577	$ 32,890,383	$ 29,738,030
Expenses:						
Public Safety and Corrections	$ 958,915	$ 944,400	$ -	$ -	$ 958,915	$ 944,400
Transportation [1]	2,468,573	2,064,729	-	-	2,468,573	2,064,729
Agricultural, Environmental and Energy Resources [1]	950,738	828,255	-	-	950,738	828,255
Economic and Workforce Development	715,085	695,314	-	-	715,085	695,314
General Education	8,042,744	7,811,723	-	-	8,042,744	7,811,723
Higher Education	981,859	912,011	-	-	981,859	912,011
Health and Human Services	11,949,235	11,248,700	-	-	11,949,235	11,248,700
General Government	762,238	800,123	-	-	762,238	800,123
Intergovernmental Aid	1,558,453	1,435,897	-	-	1,558,453	1,435,897
Interest	261,802	210,435	-	-	261,802	210,435
State Colleges and Universities	-	-	1,802,527	1,743,609	1,802,527	1,743,609
Unemployment Insurance	-	-	3,038,557	1,865,939	3,038,557	1,865,939
Lottery	-	-	377,025	363,832	377,025	363,832
Other	-	-	222,110	209,070	222,110	209,070
Total Expenses	$ 28,649,642	$ 26,951,587	$ 5,440,219	$ 4,182,450	$ 34,089,861	$ 31,134,037
Excess (Deficiency) Before Transfers	$ (217,120)	$ (467,134)	$ (982,358)	$ (928,873)	$ (1,199,478)	$ (1,396,007)
Transfers	(543,525)	(610,880)	543,525	610,880	-	-
Change in Net Assets	$ (760,645)	$ (1,078,014)	$ (438,833)	$ (317,993)	$ (1,199,478)	$ (1,396,007)
Net Assets, Beginning [1]	$ 10,122,795	$ 11,200,809	$ 1,941,779	$ 2,259,772	$ 12,064,574	$ 13,460,581
Net Assets, Ending	$ 9,362,150	$ 10,122,795	$ 1,502,946	$ 1,941,779	$ 10,865,096	$ 12,064,574

[1] 2009 has been restated to be consistent with 2010 presentation.

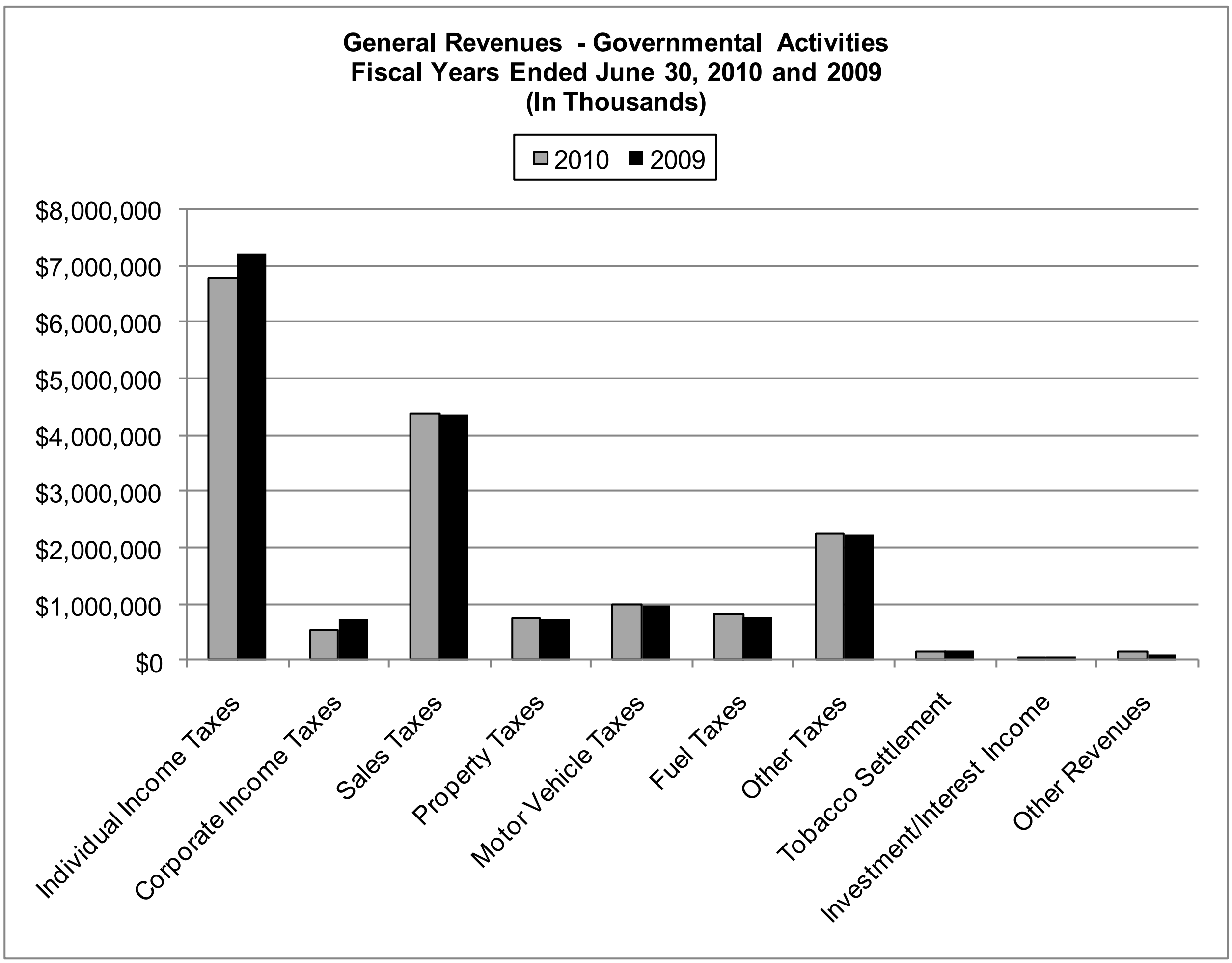
Approximately 50 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 38 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 11 percent of the total revenues. The remaining 1 percent came from other general revenues.

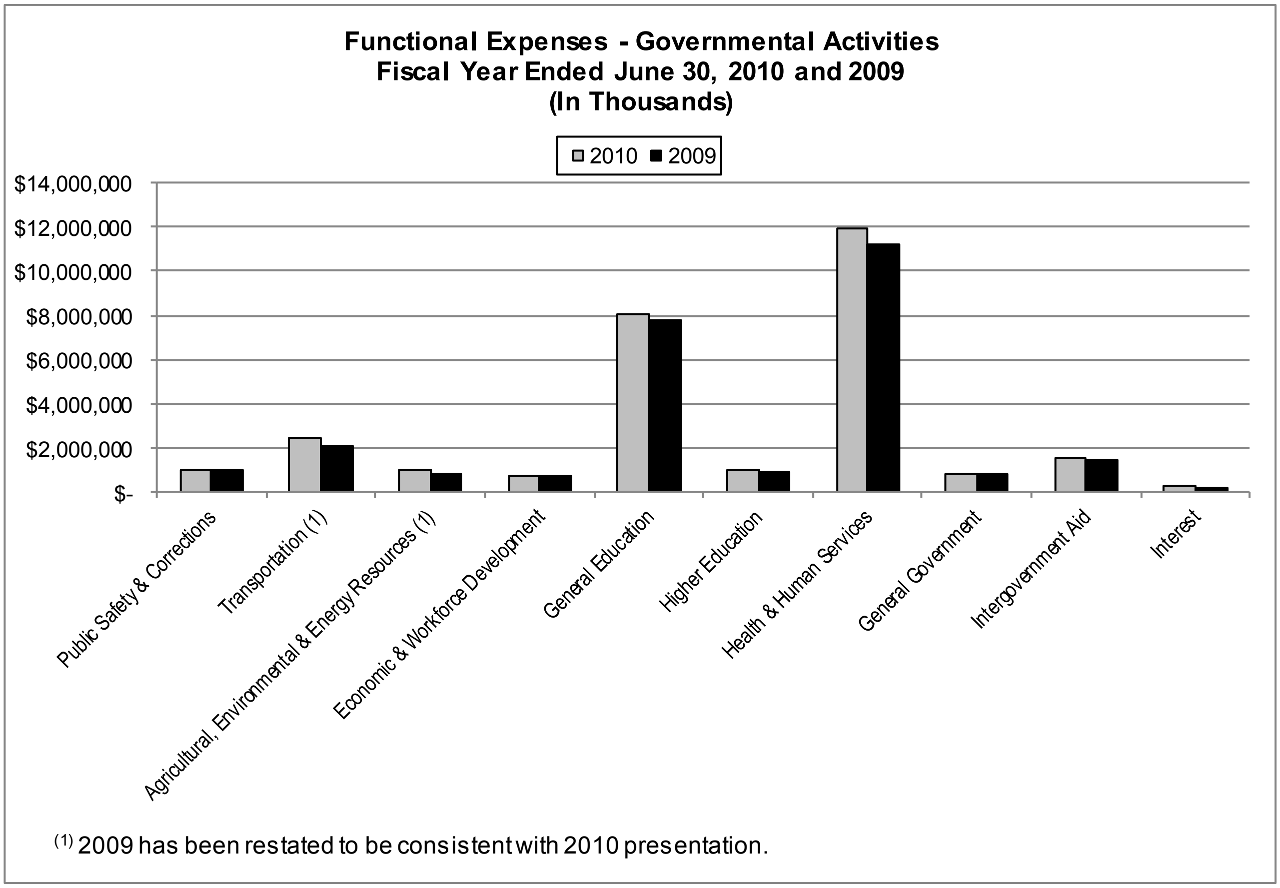
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

Governmental activities decreased the state's net assets by $761 million compared to a decrease of $1.1 billion in the prior year.

Significant increases in revenues were partially offset by decreases in other revenue sources. The increase in federal revenues was primarily attributed to revenue exceeding $2 billion related to the American Recovery and Reinvestment Act (ARRA) compared to approximately $900 million in the prior year. ARRA was designed to provide federal spending to accelerate the nation's economic recovery and preserve and create jobs. Motor vehicle and fuel taxes increased due to tax rate increases and additional sales of vehicles attributed to a federal program, which purchased older vehicles. These increases were partially offset by a decrease in individual income taxes receipts and corporate income taxes receipts resulting from a lower tax base as a result of the deterioration in the economy. Sales tax increased due to a constitutional increase in the sales tax rate that is dedicated to restore, protect and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage. However, this increase was partially offset by the continued deterioration in the economy.

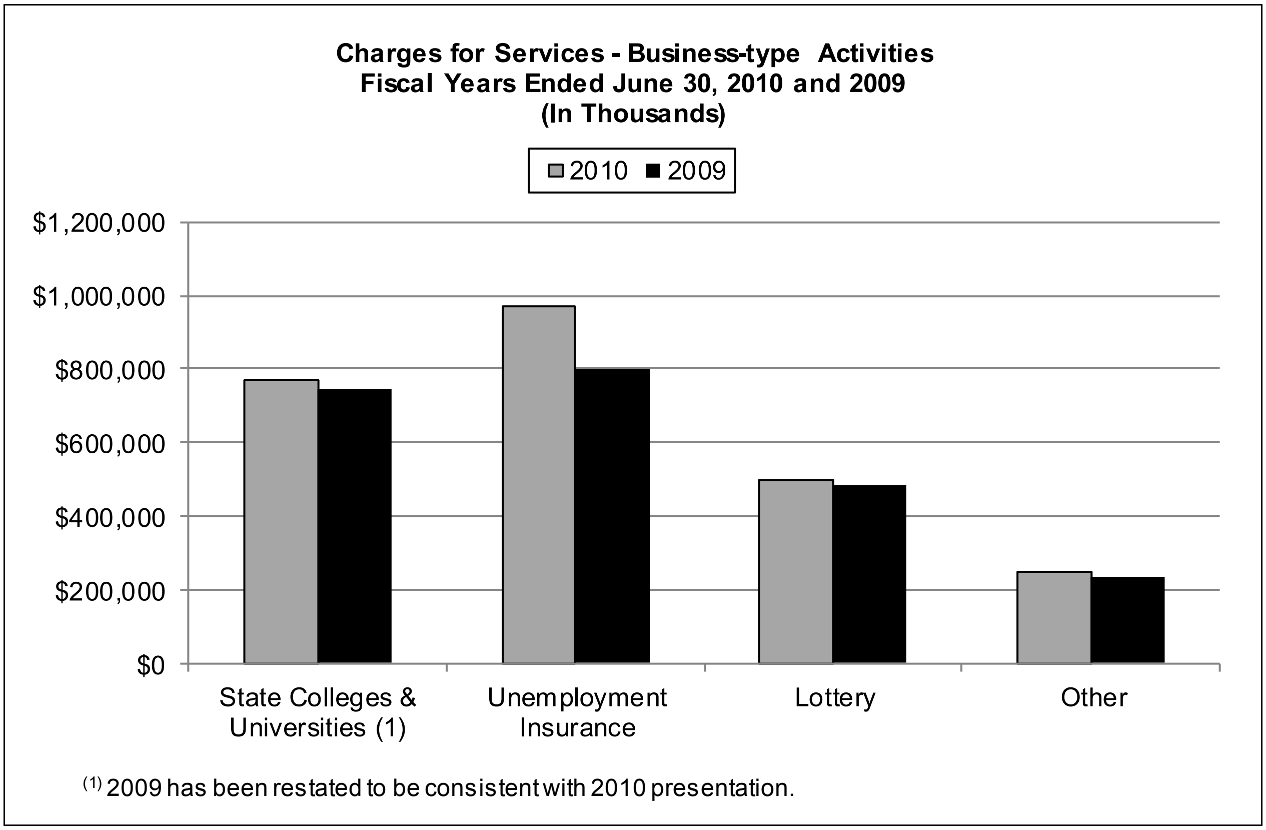




The increase in expenses resulted in increases from many functions. Transportation expenses increased due to expansion of highway construction for both state and local projects. These expenses were partially offset by federal revenue including ARRA grants. The additional Agricultural, Environmental and Energy Resources expenses relating to weatherization and energy programs expenses were almost entirely offset by additional federal revenues including ARRA grants. General Education increases related to increases in ARRA grants; thus, expenses were also offset by additional federal revenue. Higher Education grants increase was attributable to the Office of Higher Education spending a larger portion of a reimbursable grant in the first year of the grant period. Health and Human Services expenses increased due to an increase in the number of participants eligible for health care services and food stamps due to the weaker economy. This increase was offset by an increase in operating grants from the federal government. The decrease in General Government expenses related to general operating reductions to help balance the budget. Intergovernmental Aid expenses increase resulted from larger budget reductions in fiscal year 2009 than in fiscal year 2010.

Business-type Activities

The state's proprietary funds net assets decreased by $439 million during the current year. This primarily resulted from a $583 million decrease in net assets in the Unemployment Insurance Fund. This decrease resulted from a significant increase in unemployment benefits due to an increase in the unemployment rate and extended benefit periods as a result of the economic downturn causing an unrestricted net asset deficit of $266 million. The increase in benefits was partially offset by an increase in insurance premiums and nonoperating federal revenue provided by ARRA grants and federally funded extended benefits. The decrease in net assets of the Unemployment Insurance Fund was partially offset by a $180 million increase in net assets in the State Colleges and Universities Fund. The increase in federal grants related to an increase in student Pell Grants and funds received under ARRA. The increase in federal revenue was partially offset by an increase in student financial aid due to an increase in student eligibility and award amounts.



State Funds Financial Analysis

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term cash inflows and outflows during the fiscal year, and balances of spendable resources as of fiscal year end. Such information is useful in assessing the state's financial condition. The unassigned fund balance serves as a useful measure of the state's net resources available for future spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $2.8 billion, a decrease of $774 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of $1.5 billion, a decrease in fund balance of an additional $1.2 billion compared to the prior year. This decrease primarily resulted from the continuing economic downturn, which resulted in revenues insufficient to cover expenditures.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund; however, the additional federal grants related to ARRA grants shifted expenditures from the General Fund to the Federal Fund (special revenue fund). The decreases in both General Government and Agricultural, Environmental and Energy Resources expenditures related to general operating reductions to help balance the budget. Higher Education expenditures increased due to an increase in grants to the Office of Higher Education; however, these increases were offset by a shift of General Fund grants for the University of Minnesota (component unit) to the Federal Fund and reimbursed by ARRA grants. In addition, the decreases in General Education, Health and Human Services, and Public Safety and Corrections expenditures were primarily attributed to shifts of General Fund expenditures to the Federal Fund and reimbursed by ARRA grants. Intergovernmental Aid expenditure increases resulted from larger budget reductions in fiscal year 2009 than in fiscal year 2010.

Proprietary Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The state's proprietary fund's net assets decreased by $439 million during the current year. This primarily resulted from a $583 million decrease in net assets in the Unemployment Insurance Fund, which was offset by an increase of $180 million in net assets of the State Colleges and Universities Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2010. These are material to understanding changes in the General Fund balance that occurred in fiscal year 2010. Both the Minnesota State Constitution (Article XI, sections 5 and 6) and Minnesota Statues, Section 16A.152, require that the budget be balanced for the biennium. The following includes actions taken by the Minnesota Legislature and the Governor affecting fiscal year 2010.

Actions Establishing the Fiscal Year 2010 Budget

The February 2009 forecast set the baseline for the development of the 2010-2011 biennial budget. This forecast included a projected deficit of $4.57 billion for the 2010-2011 biennium, with $2.29 billion of that deficit projected in fiscal year 2010. The February 2009 forecast included recognition of the recently passed American Recovery and Reinvestment Act (ARRA), which at that time provided $1.359 billion in relief to the General Fund for the 2009-2011 biennium by moving additional Medicaid expenditures to the Federal Fund (special revenue fund).

The 2009 Legislature took action to close the budget gap for the 2010-2011 biennium and passed bills, which the Governor signed, narrowing the projected deficit to $2.7 billion for the biennium ($1.3 billion for 2010). This Legislative action included moving an additional $816 million in spending from the General Fund to the Federal Fund in recognition of the State Fiscal Stabilization Funds received through ARRA grants in fiscal years 2009-2011. The Legislature took additional action during the legislative session, which the Governor vetoed, that would have raised additional revenues to close the remaining budget gap. As a result, the Legislature adjourned with the $2.7 billion gap remaining for the 2010-2011 biennium.

Budget Actions during Fiscal Year 2010

In July of 2009, the Governor took action through the unallotment authority in Minnesota Statute 16A.152 to close the remaining budget gap for the 2010-2011 biennium. The Governor implemented K-12 payment deferrals totaling $1.7 billion, and unallotments and administrative actions totaling an additional $1 billion for a total of $2.7 billion.

At the beginning of the 2010 legislative session, the February 2010 forecast for 2010-2011 biennium included a deficit of $994 million. The deficit projection was based on the legislatively enacted 2010-2011 biennial budget and the Governor's subsequent executive actions. In May 2010, the Minnesota State Supreme Court ruled that the Governor's use of unallotment in July 2009 exceeded the Governor's authority. While certain administrative actions were upheld, the unallotments were reversed and the size of the deficit grew from $994 million to $3.4 billion.

At the end of the 2010 legislative session, the $3.4 billion deficit was solved largely through one-time means, leaving a General Fund budgetary balance of $5.6 million. Most of the Governor's original unallotments were adopted by the Legislature on a one-time basis. The one-time nature of the 2010-2011 biennium actions, and the scheduled repayment of K-12 shifts and payment delays in the subsequent biennium, resulted in a projected budget shortfall in the 2012-2013 biennium of $5.8 billion.

Budget and GAAP Based Financial Outlook

Minnesota budgets and manages its financial affairs on a budgetary basis, which primarily uses a cash basis of accounting. Revenues are recorded when received and expenditures are recorded when the payments are made with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. GAAP requires that the modified accrual basis of accounting be used to prepare governmental fund statements. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Expenditures are recognized when a liability occurs.

On a budgetary basis, the state's General Fund ended fiscal year 2010 with a balance of $74.6 million and for the 2010-2011 biennium, the General Fund is balanced on a budgetary basis. However, it is likely that the state's General Fund will continue to show deficits on a GAAP basis over the 2010-2011 biennium.

On December 2, 2010, Minnesota Management and Budget released the forecast for the 2010-2011 and the 2012-2013 bienniums. Based on the forecast, the state's financial outlook has remained consistent since the end of legislative session and the General Fund is projected to end the 2010-2011 biennium with a surplus of $399 million. However, the 2012-2013 biennium is projecting a deficit of $6.2 billion. Both state statutes and the state constitution require a balanced budget for the biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2010, was $16.4 billion, less accumulated depreciation of $2.6 billion, resulting in a net book value of $13.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2010 and 2009
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Capital Assets not Depreciated:						
Land	$ 2,058,634	$ 2,073,170	$ 85,134	$ 81,879	$ 2,143,768	$ 2,155,049
Buildings, Structures, Improvements	28,081	52,799	-	-	28,081	52,799
Construction in Progress	292,833	251,943	166,444	154,867	459,277	406,810
Development in Progress	34,151	-	-	-	34,151	-
Infrastructure	7,634,894	7,323,111	-	-	7,634,894	7,323,111
Easements (1)	245,575	112,163	-	-	245,575	112,163
Art and Historical Treasures	1,989	1,989	-	-	1,989	1,989
Total Capital Assets not Depreciated	$ 10,296,157	$ 9,815,175	$ 251,578	$ 236,746	$ 10,547,735	$ 10,051,921
Capital Assets Depreciated:						
Buildings, Structures, Improvements(1)	$ 2,246,617	$ 2,217,019	$ 2,532,752	$ 2,335,301	$ 4,779,369	$ 4,552,320
Infrastructure	149,642	92,789	-	-	149,642	92,789
Internally Generated Computer Software	3,748	-	13,928	-	17,676	-
Easements (1)	4,067	4,028	-	-	4,067	4,028
Library Collections	-	-	48,078	48,526	48,078	48,526
Equipment, Furniture, Fixtures(1)	562,830	543,875	266,171	288,907	829,001	832,782
Total Capital Assets Depreciated	$ 2,966,904	$ 2,857,711	$ 2,860,929	$ 2,672,734	$ 5,827,833	$ 5,530,445
Less: Accumulated Depreciation(1)	1,280,827	1,212,901	1,336,227	1,270,038	2,617,054	2,482,939
Capital Assets Net of Depreciation	$ 1,686,077	$ 1,644,810	$ 1,524,702	$ 1,402,696	$ 3,210,779	$ 3,047,506
Total	$ 11,982,234	$ 11,459,985	$ 1,776,280	$ 1,639,442	$ 13,758,514	$ 13,099,427

(1) Prior year amounts have been restated for the change in accounting principle and prior period adjustment for consistent presentation.

The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 29,000 lane miles of pavement and 3,000 bridges that are maintained by the Minnesota Department of Transportation (MnDOT).

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2009, indicated that the average PQI for principal arterial pavement was 3.3 and 3.1 for all other pavements. The state has maintained a stable condition of pavement over the past five years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2009, indicated that 94 percent of principal arterial system bridges and 90 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During fiscal year 2010, the state implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement required retroactive reporting of certain intangible assets. As a result, the state's beginning balances for nondepreciable easements and depreciable easements increased by $112.2 million and $4.0 million, net of $374 thousand accumulated depreciation, respectively. This resulted in a net change in accounting principle of $115,8 million.

Prior Period Adjustment Governmental Activities: During fiscal year 2010, depreciable buildings and equipment cost increased by $74.3 million, net of $41.9 million accumulated depreciation and $126.8 million, net of $72.0 million accumulated depreciation, respectively. This was primarily due to additional capital assets identified by the Minnesota Department of Transportation partly as a result of changing capitalization thresholds in preparation for converting capital assets into the new statewide accounting system. This resulted in a net prior period adjustment of $87.2 million.

Prior Period Adjustment Business-type Activities: During fiscal year 2010, building cost in the 911 Services Fund (enterprise fund) increased by $49.2 million, net of $5.6 million accumulated depreciation, as a result of recording towers owned by the Minnesota Department of Transportation. This resulted in a net prior period adjustment of $43.6 million.

During the current year, the state placed additional emphasis on bridge maintenance and repair that was not included in the original budget. In addition, there was a shift between costs associated with new roads to a greater focus on improvements to current infrastructure compared to the amounts originally budgeted.

Additional information on the state's capital assets and infrastructure under the modified approach is included in Note 6 – Capital Assets of the notes to the financial statements and in the required supplementary information, respectively.

Debt Administration

The authority of the state to incur debt is described in Article XI, Sections 5 and 7, of the state's constitution. General obligation bonds, issued by the state, are backed by the full faith, credit, and taxing powers of the state.

The state's general obligation bonds are rated as follows:

- Aa1 by Moody's Investors Service
- AAA by Standard & Poors
- AAA by Fitch Ratings

The state also issues revenue bonds, which are payable solely from rentals, revenues, and other income, and charges and monies that were pledged for repayment.

The Certificates of Participation were issued by the state to finance the statewide systems and integrated tax system.

Outstanding Bonded Debt and Unamortized Premium June 30, 2010 and 2009 (In Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation	$ 5,103,210	$ 4,667,902	$ 250,353	$ 241,946	$ 5,353,563	$ 4,909,848
Revenue	12,900	13,715	320,779	278,246	333,679	291,961
Certificate of Participation	80,649	-	-	-	80,649	-
Total	$ 5,196,759	$ 4,681,617	$ 571,132	$ 520,192	$ 5,767,891	$ 5,201,809

During fiscal year 2010, the state issued the following bonds:

- $635.3 million in general obligation state various purpose bonds
- $105.0 million in general obligation state trunk highway bonds
- $7.0 million in general obligation Rural Finance Authority bonds
- $398.1 million in state refunding bonds
- $28.4 million in state trunk highway refunding bonds
- $60.5 million in revenue bonds for a statewide 911 emergency response communication system
- $75.0 million in certificate of participation for the statewide systems and integrated tax system

Additional information on the state's long-term debt obligations is located in Note 12 – General Long-Term Liabilities – Primary Government in the notes to the financial statements.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the state's finances and to demonstrate the state's accountability for the money it receives.

Questions about this report or requests for additional financial information should be addressed to Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Basic Financial Statements

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Government-wide Financial Statements

STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,306,485	$ 772,491	$ 5,078,976	$ 1,358,129
Investments	1,116,158	31,123	1,147,281	836,719
Accounts Receivable	2,057,048	468,736	2,525,784	419,020
Due from Component Units	12,350	-	12,350	-
Due from Primary Government	-	-	-	71,120
Accrued Investment/Interest Income	20,167	17	20,184	42,170
Federal Aid Receivable	1,449,709	54,658	1,504,367	8,289
Inventories	29,843	20,267	50,110	46,010
Loans and Notes Receivable	21,263	5,880	27,143	209,557
Internal Balances	14,636	(14,636)	-	-
Securities Lending Collateral	62,156	265	62,421	2,196
Other Assets	19,218	3,096	22,314	117,491
Total Current Assets	$ 9,109,033	$ 1,341,897	$ 10,450,930	$ 3,110,701
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 111,594	$ 111,594	$ 259,373
Investments-Restricted	-	-	-	679,120
Accounts Receivable-Restricted	-	-	-	19,778
Due from Primary Government	-	-	-	47,543
Other Assets-Restricted	-	71	71	18,782
Due from Component Units	106,111	-	106,111	-
Investments	-	-	-	3,018,238
Accounts Receivable	421,267	-	421,267	523,926
Loans and Notes Receivable	300,427	27,069	327,496	4,711,012
Depreciable Capital Assets (Net)	1,686,077	1,524,702	3,210,779	4,662,685
Nondepreciable Capital Assets	2,661,263	251,578	2,912,841	554,881
Infrastructure (Not depreciated)	7,634,894	-	7,634,894	-
Other Assets	25,589	-	25,589	11,289
Deferred Loss on Interest Rate Swap Agreements	-	-	-	37,077
Total Noncurrent Assets	$ 12,835,628	$ 1,915,014	$ 14,750,642	$ 14,543,704
Total Assets	$ 21,944,661	$ 3,256,911	$ 25,201,572	$ 17,654,405
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,053,616	$ 275,439	$ 5,329,055	$ 300,300
Due to Component Units	36,590	-	36,590	-
Due to Primary Government	-	-	-	37,817
Unearned Revenue	577,013	68,794	645,807	113,936
Accrued Interest Payable	74,272	568	74,840	72,119
General Obligation Bonds Payable	402,265	17,790	420,055	204,584
Loans and Notes Payable	13,954	827	14,781	330,218
Revenue Bonds Payable	845	19,920	20,765	710,174
Claims Payable	88,090	-	88,090	84,832
Compensated Absences Payable	30,894	14,496	45,390	185,919
Workers' Compensation Liability	16,813	2,739	19,552	-
Certificates of Participation Payable	500	-	500	-
Capital Leases Payable	6,984	1,757	8,741	560
Securities Lending Liabilities	62,156	265	62,421	2,196
Other Liabilities	20,476	16,304	36,780	68,607
Total Current Liabilities	$ 6,384,468	$ 418,899	$ 6,803,367	$ 2,111,262
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 114,204
Unearned Revenue-Restricted	-	-	-	31,977
Accrued Interest Payable-Restricted	-	-	-	10,440
Due to Primary Government	-	-	-	106,112
Unearned Revenue	-	-	-	5,334
General Obligation Bonds Payable	4,700,945	232,563	4,933,508	1,473,136
Loans and Notes Payable	27,365	602,193	629,558	4,332
Revenue Bonds Payable	12,055	300,859	312,914	3,667,871
Claims Payable	655,620	-	655,620	598,122
Compensated Absences Payable	263,393	130,479	393,872	63,512
Workers' Compensation Liability	88,444	3,779	92,223	-
Certificates of Participation Payable	80,149	-	80,149	-
Capital Leases Payable	151,191	16,905	168,096	11,395
Funds Held in Trust	-	-	-	222,622
Due to Component Units	18,591	-	18,591	-
Other Liabilities	200,290	48,288	248,578	165,973
Interest Rate Swap Agreements	-	-	-	37,077
Total Noncurrent Liabilities	$ 6,198,043	$ 1,335,066	$ 7,533,109	$ 6,512,107
Total Liabilities	$ 12,582,511	$ 1,753,965	$ 14,336,476	$ 8,623,369

CONTINUED

STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2010
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
NET ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Invested in Capital Assets, Net of Related Debt	$ 8,947,341	$ 1,293,856	$ 10,241,197	$ 3,275,519
Restricted for:				
Debt Service	$ 432,459	$ -	$ 432,459	$ -
Transportation	908,897	-	908,897	-
Public Safety	23,265	-	23,265	-
Environmental Resources	758,937	-	758,937	-
Economic and Workforce Development	103,660	5,878	109,538	-
Arts and Cultural Heritage	16,594	-	16,594	-
School Aid-Nonexpendable	688,891	-	688,891	-
School Aid-Expendable	5,561	-	5,561	-
General Education	79,379	-	79,379	-
Health and Human Services	24,831	16,297	41,128	-
State Colleges and Universities	-	451,277	451,277	-
General Government	18,431	-	18,431	-
Other Purposes	-	36,253	36,253	
Component Units	-	-	-	4,877,004
Total Restricted	$ 3,060,905	$ 509,705	$ 3,570,610	$ 4,877,004
Unrestricted	$ (2,646,096)	$ (300,615)	$ (2,946,711)	$ 878,513
Total Net Assets	$ 9,362,150	$ 1,502,946	$ 10,865,096	$ 9,031,036

The notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBU-TIONS	CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Public Safety and Corrections	$ 958,915	$ 156,139	$ 234,203	$ -
Transportation	2,468,573	25,397	754,492	205,125
Agricultural, Environmental and Energy Resources	950,738	358,666	386,048	1,167
Economic and Workforce Development	715,085	49,212	312,052	-
General Education	8,042,744	21,342	1,631,487	-
Higher Education	981,859	3	38,591	-
Health and Human Services	11,949,235	353,929	6,775,255	-
General Government	762,238	266,565	32,085	-
Intergovernment Aid	1,558,453	-	-	-
Interest	261,802	-	-	-
Total Governmental Activities	$ 28,649,642	$ 1,231,253	$ 10,164,213	$ 206,292
Business-type Activities:				
State Colleges and Universities	$ 1,802,527	$ 771,104	$ 468,757	$ 1,554
Unemployment Insurance	3,038,557	972,425	1,489,438	-
Lottery	377,025	499,271	-	-
Other	222,110	246,829	-	-
Total Business-type Activities	$ 5,440,219	$ 2,489,629	$ 1,958,195	$ 1,554
Total Primary Government	$ 34,089,861	$ 3,720,882	$ 12,122,408	$ 207,846
Component Units:				
University of Minnesota	$ 3,234,440	$ 1,476,214	$ 954,063	$ 184,845
Metropolitan Council	830,055	359,736	206,310	245,206
Housing Finance	467,175	180,172	243,749	-
Others	430,454	125,351	119,044	-
Total Component Units	$ 4,962,124	$ 2,141,473	$ 1,523,166	$ 430,051

General Revenues:
Taxes:
Individual Income Taxes
Corporate Income Taxes
Sales Taxes
Property Taxes
Motor Vehicle Taxes
Fuel Taxes
Other Taxes
Tobacco Settlement
Unallocated Investment/Interest Income
Other Revenues
State Grants Not Restricted
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning, as Reported
Prior Period Adjustments
Change in Accounting Principle

Net Assets, Beginning, as Restated

Net Assets, Ending

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (568,573)		$ (568,573)	
(1,483,559)		(1,483,559)	
(204,857)		(204,857)	
(353,821)		(353,821)	
(6,389,915)		(6,389,915)	
(943,265)		(943,265)	
(4,820,051)		(4,820,051)	
(463,588)		(463,588)	
(1,558,453)		(1,558,453)	
(261,802)		(261,802)	
$ (17,047,884)		$ (17,047,884)	
	$ (561,112)	$ (561,112)	
	(576,694)	(576,694)	
	122,246	122,246	
	24,719	24,719	
	$ (990,841)	$ (990,841)	
$ (17,047,884)	$ (990,841)	$ (18,038,725)	
			$ (619,318)
			(18,803)
			(43,254)
			(186,059)
			$ (867,434)
$ 6,792,510	$ -	$ 6,792,510	$ -
539,534	-	539,534	-
4,379,236	-	4,379,236	-
746,685	-	746,685	-
997,214	-	997,214	-
826,574	-	826,574	-
2,224,237	-	2,224,237	204,256
157,924	-	157,924	-
21,242	8,483	29,725	234,498
145,608	-	145,608	62,012
-	-	-	933,848
(543,525)	543,525	-	-
$ 16,287,239	$ 552,008	$ 16,839,247	$ 1,434,614
$ (760,645)	$ (438,833)	$ (1,199,478)	$ 567,180
$ 9,919,792	$ 1,898,220	$ 11,818,012	$ 8,457,268
87,186	43,559	130,745	-
115,817	-	115,817	6,588
$ 10,122,795	$ 1,941,779	$ 12,064,574	$ 8,463,856
$ 9,362,150	$ 1,502,946	$ 10,865,096	$ 9,031,036

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

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Fund Financial Statements

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

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Major Governmental Funds

General Fund

The fund accounts for all financial resources except those required to be accounted for in another fund.

Federal Fund

The fund receives and disburses federal government grants and reimbursements. The fund is administered in accordance with grant agreements between the state and federal agencies.

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,013,175	$ 11,448	$ 2,932,772	$ 3,957,395
Investments	402,698	-	692,114	1,094,812
Accounts Receivable	1,996,042	128,134	351,632	2,475,808
Interfund Receivables	191,531	22,457	219,923	433,911
Due from Component Units	211	-	118,250	118,461
Accrued Investment/Interest Income	14,722	-	5,217	19,939
Federal Aid Receivable	-	1,417,155	32,554	1,449,709
Inventories	-	-	29,578	29,578
Loans and Notes Receivable	274,683	-	47,007	321,690
Deferred Costs	-	-	17,308	17,308
Securities Lending Collateral	23,434	-	38,722	62,156
Investment in Land	-	-	16,008	16,008
Total Assets	$ 3,916,496	$ 1,579,194	$ 4,501,085	$ 9,996,775
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 3,142,635	$ 1,450,399	$ 404,435	$ 4,997,469
Interfund Payables	80,474	71,719	266,918	419,111
Due to Component Units	28,825	3,362	1,618	33,805
Deferred Revenue	1,522,274	53,591	149,575	1,725,440
Accrued Interest Payable	5,100	-	-	5,100
Securities Lending Liabilities	23,434	-	38,722	62,156
Total Liabilities	$ 4,802,742	$ 1,579,071	$ 861,268	$ 7,243,081
Fund Balances:				
Nonspendable	$ 465,601	$ -	$ 718,469	$ 1,184,070
Restricted	173,687	123	2,380,419	2,554,229
Committed	-	-	537,009	537,009
Assigned	-	-	3,920	3,920
Unassigned	(1,525,534)	-	-	(1,525,534)
Total Fund Balances	$ (886,246)	$ 123	$ 3,639,817	$ 2,753,694
Total Liabilities and Fund Balances	$ 3,916,496	$ 1,579,194	$ 4,501,085	$ 9,996,775

The notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 2,753,694
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 7,634,894	
Nondepreciable Capital Assets	2,645,255	
Depreciable Capital Assets	2,883,032	
Accumulated Depreciation	(1,228,810)	
Total Capital Assets		11,934,371
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end		1,155,495
The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds		24,960
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		320,436
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds Payable	$ (4,722,504)	
Bond Premium Payable	(380,706)	
Revenue Bonds Payable	(12,900)	
Certificate of Participation Payable	(73,980)	
Certificate of Participation Premium Payable	(6,669)	
Accrued Interest Payable on Bonds	(69,172)	
Loans and Notes Payable	(23,982)	
Claims Payable	(743,710)	
Workers' Compensation Liability	(105,257)	
Capital Leases Payable	(158,175)	
Compensated Absences Payable	(288,155)	
Net Pension Obligation	(58,689)	
Net Other Post-Employment Benefits Obligation	(110,404)	
Pollution Remediation	(51,127)	
Due to Component Units	(21,376)	
Total Liabilities		(6,826,806)
Net Assets of Governmental Activities		$ 9,362,150

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 6,729,244	$ -	$ -	$ 6,729,244
Corporate Income Taxes	540,504	-	-	540,504
Sales Taxes	4,181,319	-	229,958	4,411,277
Property Taxes	766,830	-	-	766,830
Motor Vehicle Taxes	235,756	-	761,458	997,214
Fuel Taxes	-	-	825,341	825,341
Other Taxes	1,438,940	-	759,858	2,198,798
Tobacco Settlement	164,786	-	-	164,786
Federal Revenues	401	9,437,176	582,879	10,020,456
Licenses and Fees	256,278	846	309,523	566,647
Departmental Services	111,798	11,511	147,291	270,600
Investment/Interest Income	63,127	287	115,058	178,472
Securities Lending Income	183	-	242	425
Other Revenues	334,724	60,769	299,172	694,665
Net Revenues	$ 14,823,890	$ 9,510,589	$ 4,030,780	$ 28,365,259
Expenditures:				
Current:				
Public Safety and Corrections	$ 540,876	$ 177,101	$ 184,006	$ 901,983
Transportation	283,228	368,191	1,764,914	2,416,333
Agricultural, Environmental and Energy Resources	205,116	290,186	423,108	918,410
Economic and Workforce Development	156,781	308,379	290,177	755,337
General Education	6,444,487	1,534,835	59,125	8,038,447
Higher Education	841,752	38,591	101,525	981,868
Health and Human Services	4,384,540	6,663,993	881,025	11,929,558
General Government	633,298	22,163	74,630	730,091
Intergovernment Aid	1,549,199	-	254	1,549,453
Securities Lending Rebates and Fees	56	-	76	132
Total Current Expenditures	$ 15,039,333	$ 9,403,439	$ 3,778,840	$ 28,221,612
Capital Outlay	30,972	54,085	558,679	643,736
Debt Service	45,841	584	631,394	677,819
Total Expenditures	$ 15,116,146	$ 9,458,108	$ 4,968,913	$ 29,543,167
Excess of Revenues Over (Under) Expenditures	$ (292,256)	$ 52,481	$ (938,133)	$ (1,177,908)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ 722,904	$ 722,904
Certificates of Participation Issuance	-	-	74,980	74,980
Loan Proceeds	5,729	-	-	5,729
Proceeds from Refunding Bonds	-	-	426,505	426,505
Payment to Refunded Bonds Escrow Agent	-	-	(426,505)	(426,505)
Bond Issue Premium	-	-	108,704	108,704
Certificates of Participation Premium	-	-	7,411	7,411
Transfers-In	378,042	5,237	758,098	1,141,377
Transfers-Out	(1,187,744)	(57,748)	(419,061)	(1,664,553)
Capital Leases	-	-	3,356	3,356
Net Other Financing Sources (Uses)	$ (803,973)	$ (52,511)	$ 1,256,392	$ 399,908
Net Change in Fund Balances	$ (1,096,229)	$ (30)	$ 318,259	$ (778,000)
Fund Balances, Beginning, as Reported	$ (641,308)	$ 153	$ 4,168,473	$ 3,527,318
Change in Fund Structure	851,291	-	(851,291)	-
Fund Balances, Beginning, as Restated	$ 209,983	$ 153	$ 3,317,182	$ 3,527,318
Change in Inventory	-	-	4,376	4,376
Fund Balances, Ending	$ (886,246)	$ 123	$ 3,639,817	$ 2,753,694

The notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	(778,000)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of $100,465 in the current period		543,271
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported		(22,072)
Governmental funds do not report net transfers of capital assets between governmental funds and business-type funds		(723)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported with governmental activities		40,360
The direct expenses of the appropriate function is used for reporting inventory in the Statement of Activities, but in the Governmental funds the purchases method is used		4,376
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		17,281
Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets		(1,346,233)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is reported as a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability increase		(3,356)
Repayment of bonds and loans are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		821,550
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		(37,099)
Change in Net Assets of Governmental Activities	$	(760,645)

The notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 7,042,465	$ 6,720,020	$ 6,530,958
Corporate Income Taxes	447,790	631,300	663,505
Sales Taxes	4,156,973	4,154,834	4,151,036
Property Taxes	769,470	758,740	766,831
Motor Vehicle Taxes	207,796	236,069	236,400
Other Taxes	1,186,968	1,156,905	1,165,582
Departmental Earnings/Licenses and Fees	290,079	287,750	295,590
Investment/Interest Income	10,000	7,700	4,867
Tobacco Settlement	175,189	164,786	164,786
Other Revenues	446,984	395,848	435,106
Net Revenues	$ 14,733,714	$ 14,513,952	$ 14,414,661
Expenditures:			
Public Safety and Corrections	$ 551,736	$ 548,086	$ 529,727
Transportation	235,143	250,301	249,825
Agricultural, Environmental and Energy Resources	184,525	192,566	179,772
Economic and Workforce Development	70,637	68,563	61,695
General Education	6,551,715	5,443,722	5,437,754
Higher Education	849,976	851,036	841,609
Health and Human Services	4,412,729	4,169,855	3,995,079
General Government	1,131,199	684,488	641,046
Intergovernment Aid	1,678,019	1,581,050	1,581,042
Total Expenditures	$ 15,665,679	$ 13,789,667	$ 13,517,549
Excess of Revenues Over (Under) Expenditures	$ (931,965)	$ 724,285	$ 897,112
Other Financing Sources (Uses):			
Transfers-In	$ 303,138	$ 358,000	$ 387,360
Transfers-Out	(897,408)	(1,320,781)	(1,320,781)
Net Other Financing Sources (Uses)	$ (594,270)	$ (962,781)	$ (933,421)
Net Change in Fund Balances	$ (1,526,235)	$ (238,496)	$ (36,309)
Fund Balances, Beginning, as Reported	$ 498,006	$ 498,006	$ 498,006
Prior Period Adjustments	-	-	39,944
Fund Balances, Beginning, as Restated	$ 498,006	$ 498,006	$ 537,950
Budgetary Fund Balances, Ending	$ (1,028,229)	$ 259,510	$ 501,641
Less: Appropriation Carryover	-	-	121,566
Less: Reserved for Long-Term Receivables	-	-	39,509
Less: Budgetary Reserve	-	-	266,000
Undesignated Fund Balances, Ending	$ (1,028,229)	$ 259,510	$ 74,566

The notes are an integral part of the financial statements.

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Major Proprietary Funds

State Colleges and Universities Fund

The fund accounts for the activities of Minnesota State Colleges and Universities (MnSCU). MnSCU is a system of public state universities and two-year colleges and is the largest system of higher education in the state. While the primary activity of MnSCU is to provide educational services, the fund also includes scholarships, student loans, bookstores, student living activities, research, and long-term debt.

Unemployment Insurance Fund

The fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 655,380	$ 23	$ 117,088	$ 772,491	$ 349,090
Investments	31,123	-	-	31,123	21,346
Accounts Receivable	48,109	394,119	26,508	468,736	28,069
Interfund Receivables	25,382	-	2,355	27,737	-
Accrued Investment/Interest Income	-	-	17	17	228
Federal Aid Receivable	19,382	35,276	-	54,658	-
Inventories	13,411	-	6,856	20,267	265
Deferred Costs	725	-	453	1,178	1,910
Loans and Notes Receivable	5,880	-	-	5,880	-
Securities Lending Collateral	265	-	-	265	-
Other Assets	-	-	1,918	1,918	-
Total Current Assets	$ 799,657	$ 429,418	$ 155,195	$ 1,384,270	$ 400,908
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 109,994	$ -	$ 1,600	$ 111,594	$ -
Other Assets-Restricted	71	-	-	71	-
Deferred Costs	-	-	-	-	629
Loans and Notes Receivable	27,069	-	-	27,069	-
Depreciable Capital Assets (Net)	1,439,136	-	85,566	1,524,702	31,855
Nondepreciable Capital Assets	248,400	-	3,178	251,578	-
Total Noncurrent Assets	$ 1,824,670	$ -	$ 90,344	$ 1,915,014	$ 32,484
Total Assets	$ 2,624,327	$ 429,418	$ 245,539	$ 3,299,284	$ 433,392
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 178,436	$ 65,955	$ 31,048	$ 275,439	$ 81,709
Interfund Payables	-	25,829	16,544	42,373	164
Unearned Revenue	62,377	4,976	1,441	68,794	7,068
Accrued Bond Interest Payable	-	-	568	568	-
General Obligation Bonds Payable	17,495	-	295	17,790	-
Loans and Notes Payable	827	-	-	827	5,332
Revenue Bonds Payable	6,995	-	12,925	19,920	-
Workers' Compensation Liability	2,739	-	-	2,739	-
Capital Leases	1,617	-	140	1,757	-
Compensated Absences Payable	13,173	-	1,323	14,496	514
Securities Lending Liabilities	265	-	-	265	-
Other Liabilities	16,257	-	47	16,304	-
Total Current Liabilities	$ 300,181	$ 96,760	$ 64,331	$ 461,272	$ 94,787
Noncurrent Liabilities:					
General Obligation Bonds Payable	$ 230,505	$ -	$ 2,058	$ 232,563	$ -
Loans and Notes Payable	3,400	598,793	-	602,193	12,005
Revenue Bonds Payable	179,142	-	121,717	300,859	-
Workers' Compensation Liability	3,779	-	-	3,779	-
Capital Leases	16,372	-	533	16,905	-
Compensated Absences Payable	120,045	-	10,434	130,479	5,618
Other Liabilities	47,137	-	1,151	48,288	546
Total Noncurrent Liabilities	$ 600,380	$ 598,793	$ 135,893	$ 1,335,066	$ 18,169
Total Liabilities	$ 900,561	$ 695,553	$ 200,224	$ 1,796,338	$ 112,956
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,272,489	$ -	$ 21,367	$ 1,293,856	$ 14,589
Restricted for:					
Bond Covenants	$ 57,183	$ -	$ -	$ 57,183	$ -
Debt Service	25,382	-	-	25,382	-
Capital Projects	25,854	-	-	25,854	-
Economic and Workforce Development	-	-	5,878	5,878	-
Health and Human Services	-	-	16,297	16,297	-
Other Purposes	342,858	-	36,253	379,111	-
Total Restricted	$ 451,277	$ -	$ 58,428	$ 509,705	$ -
Unrestricted	$ -	$ (266,135)	$ (34,480)	$ (300,615)	$ 305,847
Total Net Assets	$ 1,723,766	$ (266,135)	$ 45,315	$ 1,502,946	$ 320,436

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 659,596	$ -	$ -	$ 659,596	$ -
Restricted Student Payments, Net	96,695	-	-	96,695	-
Net Sales	-	-	541,129	541,129	13,938
Rental and Service Fees	-	-	176,736	176,736	164,175
Insurance Premiums	-	965,875	24,611	990,486	678,263
Other Income	14,813	6,550	3,624	24,987	10,769
Total Operating Revenues	$ 771,104	$ 972,425	$ 746,100	$ 2,489,629	$ 867,145
Less: Cost of Goods Sold	-	-	368,196	368,196	2,320
Gross Margin	$ 771,104	$ 972,425	$ 377,904	$ 2,121,433	$ 864,825
Operating Expenses:					
Purchased Services	$ 207,292	$ -	$ 35,662	$ 242,954	$ 150,325
Salaries and Fringe Benefits	1,237,709	-	119,267	1,356,976	53,865
Student Financial Aid	65,313	-	-	65,313	-
Unemployment Benefits	-	3,036,515	-	3,036,515	-
Claims	-	-	18,564	18,564	573,531
Depreciation	88,440	-	10,013	98,453	9,647
Amortization	-	-	71	71	609
Supplies and Materials	92,202	-	5,944	98,146	6,316
Repairs and Maintenance	34,811	-	-	34,811	-
Indirect Costs	-	-	6,640	6,640	1,569
Other Expenses	44,544	-	8,081	52,625	2,791
Total Operating Expenses	$ 1,770,311	$ 3,036,515	$ 204,242	$ 5,011,068	$ 798,653
Operating Income (Loss)	$ (999,207)	$ (2,064,090)	$ 173,662	$ (2,889,635)	$ 66,172
Nonoperating Revenues (Expenses):					
Investment Income	$ 7,487	$ 546	$ 1,040	$ 9,073	$ 3,649
Federal Grants Revenues	360,482	-	-	360,482	-
State Grants and Contributions	87,266	-	-	87,266	-
Private Grants	21,009	-	-	21,009	-
Grants and Subsidies	1,554	1,489,438	-	1,490,992	-
Other Nonoperating Revenues	-	-	34	34	-
Interest and Financing Costs	(20,142)	-	(5,271)	(25,413)	(480)
Grants, Aids and Subsidies	(12,074)	(2,042)	(14,700)	(28,816)	-
Other Nonoperating Expenses	-	-	(6,726)	(6,726)	(752)
Gain (Loss) on Disposal of Capital Assets	(677)	-	53	(624)	397
Total Nonoperating Revenues (Expenses)	$ 444,905	$ 1,487,942	$ (25,570)	$ 1,907,277	$ 2,814
Income (Loss) Before Transfers and Contributions	$ (554,302)	$ (576,148)	$ 148,092	$ (982,358)	$ 68,986
Capital Contributions	119,774	-	751	120,525	-
Transfers-In	614,169	-	5,974	620,143	-
Transfers-Out	-	(7,205)	(189,938)	(197,143)	(28,626)
Change in Net Assets	$ 179,641	$ (583,353)	$ (35,121)	$ (438,833)	$ 40,360
Net Assets, Beginning, as Reported	$ 1,544,125	$ 317,218	$ 36,877	$ 1,898,220	$ 280,076
Prior Period Adjustment	-	-	43,559	43,559	-
Net Assets, Beginning, as Restated	$ 1,544,125	$ 317,218	$ 80,436	$ 1,941,779	$ 280,076
Net Assets, Ending	$ 1,723,766	$ (266,135)	$ 45,315	$ 1,502,946	$ 320,436

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 851,332	$ 902,076	$ 747,813	$ 2,501,221	$ 862,693
Receipts from Other Revenues	-	-	3,037	3,037	11,806
Receipts from Repayment of Program Loans	3,572	-	-	3,572	-
Financial Aid Disbursements	(65,635)	-	-	(65,635)	-
Payments to Claimants	-	(3,043,669)	(323,840)	(3,367,509)	(566,064)
Payments to Suppliers	(436,891)	-	(88,202)	(525,093)	(120,506)
Payments to Employees	(1,228,897)	-	(117,522)	(1,346,419)	(53,585)
Payments to Others	-	-	(36,749)	(36,749)	(52,463)
Payments of Program Loans	(3,254)	-	-	(3,254)	-
Net Cash Flows from Operating Activities	$ (879,773)	$ (2,141,593)	$ 184,537	$ (2,836,829)	$ 81,881
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 464,277	$ 1,483,460	$ -	$ 1,947,737	$ -
Grant Disbursements	(12,450)	(1,911)	(15,671)	(30,032)	-
Transfers-In	614,169	-	5,982	620,151	-
Transfers-Out	-	(6,701)	(189,199)	(195,900)	(28,447)
Advances from Other Funds	-	1,144,457	-	1,144,457	-
Repayments of Advances to Other Funds	-	-	-	-	(458)
Repayments of Advances from Other Funds	-	(545,664)	-	(545,664)	(1,125)
Proceeds from Bonds	-	-	66,277	66,277	-
Repayment of Bond Principal	-	-	(13,375)	(13,375)	-
Interest Paid	-	-	(4,642)	(4,642)	-
Net Cash Flows from Noncapital Financing Activities	$ 1,065,996	$ 2,073,641	$ (150,628)	$ 2,989,009	$ (30,030)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 141,413	$ -	$ -	$ 141,413	$ -
Investment in Capital Assets	(223,012)	-	(20,126)	(243,138)	(14,591)
Proceeds from Disposal of Capital Assets	334	-	89	423	1,581
Proceeds from Capital Debt	26,686	-	-	26,686	-
Proceeds from Loans	-	-	-	-	8,449
Capital Lease Payments	(2,484)	-	(70)	(2,554)	-
Repayment of Loan Principal	(1,355)	-	-	(1,355)	(8,964)
Repayment of Bond Principal	(27,804)	-	(1,096)	(28,900)	-
Interest Paid	(21,348)	-	(1,061)	(22,409)	(488)
Net Cash Flows from Capital and Related Financing Activities	$ (107,570)	$ -	$ (22,264)	$ (129,834)	$ (14,013)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 10,978	$ -	$ -	$ 10,978	$ 7,500
Purchase of Investments	(14,024)	-	-	(14,024)	(7,498)
Investment Earnings	5,969	547	1,012	7,528	3,652
Net Cash Flows from Investing Activities	$ 2,923	$ 547	$ 1,012	$ 4,482	$ 3,654
Net Increase (Decrease) in Cash and Cash Equivalents	$ 81,576	$ (67,405)	$ 12,657	$ 26,828	$ 41,492
Cash and Cash Equivalents, Beginning, as Reported	$ 683,798	$ 67,428	$ 106,031	$ 857,257	$ 307,598
Cash and Cash Equivalents, Ending	$ 765,374	$ 23	$ 118,688	$ 884,085	$ 349,090

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (999,207)	$ (2,064,090)	$ 173,662	$ (2,889,635)	$ 66,172
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 88,440	$ -	$ 10,013	$ 98,453	$ 9,647
Amortization	-	-	71	71	609
Miscellaneous Nonoperating Expenses	(419)	-	(5,847)	(6,266)	(605)
Loan Principal Repayments	3,572	-	-	3,572	-
Loans Issued	(3,254)	-	-	(3,254)	-
Provision for Loan Defaults	(50)	-	-	(50)	-
Loans Forgiven	638	-	-	638	-
Change in Valuation of Assets	812	-	-	812	-
Change in Assets and Liabilities:					
Accounts Receivable	11,366	(58,749)	5,023	(42,360)	(2,327)
Inventories	915	-	174	1,089	377
Other Assets	-	-	244	244	(215)
Accounts Payable	6,639	(4,480)	1,774	3,933	57
Compensated Absences Payable	7,412	-	(723)	6,689	94
Unearned Revenues	4,072	(14,278)	(145)	(10,351)	2,339
Other Liabilities	(709)	4	291	(414)	5,733
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 119,434	$ (77,503)	$ 10,875	$ 52,806	$ 15,709
Net Cash Flows from Operating Activities	$ (879,773)	$ (2,141,593)	$ 184,537	$ (2,836,829)	$ 81,881
Noncash Investing, Capital and Financing Activities:					
Transferred/Donated Assets	$ 742	$ -	$ -	$ 742	$ -
Change in Fair Value of Investments	735	-	-	735	-
Capital Assets Purchased on Account	22,834	-	-	22,834	-
Investment Earnings on Account	321	-	-	321	133
Trade-in Allowance for Investment in Capital Assets	-	-	-	-	82
Bond Premium Amortization	1,267	-	-	1,267	-

The notes are an integral part of the financial statements.

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
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Fiduciary Funds

Pension Trust Funds

The funds are retirement funds administered by independent boards for which the state performs a fiduciary role.

Investment Trust Funds

The funds account for the external portion of the state's investment pools.

Agency Fund

This fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 17,897	$ -	$ 102,071
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,623,586	$ 72,444	$ -
Investments:			
Guaranteed Investment Account	$ 1,251,695	$ -	$ -
Debt Securities	9,961,257	147,067	-
Equity Securities	29,486,524	268,765	-
Mutual Funds	3,148,919	-	-
Total Investments	$ 43,848,395	$ 415,832	$ -
Accrued Interest and Dividends	$ 114,943	$ 1,953	$ -
Securities Trades Receivables (Payables)	(914,378)	(7,443)	-
Total Investment Pool Participation	$ 45,672,546	$ 482,786	$ -
Receivables:			
Accounts Receivable	$ -	$ -	$ 22,149
Interfund Receivables	8,356	-	-
Other Receivables	83,667	-	-
Accrued Interest and Dividends	95	-	-
Total Receivables	$ 92,118	$ -	$ 22,149
Securities Lending Collateral	$ 3,705,733	$ 37,705	$ -
Depreciable Capital Assets (Net)	25,195	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 49,513,918	$ 520,491	$ 124,220
LIABILITIES			
Accounts Payable	$ 26,577	$ 72	$ 124,220
Interfund Payables	8,356	-	-
Accrued Expense	1	-	-
Revenue Bonds Payable	24,350	-	-
Bond Interest	45	-	-
Compensated Absences Payable	2,521	-	-
Securities Lending Liabilities	3,705,733	37,705	-
Total Liabilities	$ 3,767,583	$ 37,777	$ 124,220
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 45,746,335	$ 482,714	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 893,583	$ -
Member	1,098,755	-
Contributions From Other Sources	26,436	-
Participating Plans	-	107,551
Total Contributions	$ 2,018,774	$ 107,551
Net Investment Income:		
Investment Income	$ 6,041,203	$ 21,891
Less: Investment Expense	(58,624)	(316)
Net Investment Income	$ 5,982,579	$ 21,575
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 33,282	$ 354
Borrower Rebates	(6,106)	(107)
Management Fees	(4,074)	(21)
Net Securities Lending Revenue	$ 23,102	$ 226
Total Investment Income	$ 6,005,681	$ 21,801
Transfers From Other Funds	$ 23,932	$ -
Other Additions	6,586	-
Total Additions	$ 8,054,973	$ 129,352
Deductions:		
Benefits	$ 3,487,322	$ -
Refunds/Withdrawals	179,355	98,517
Administrative Expenses	36,676	-
Transfers to Other Funds	14,932	-
Total Deductions	$ 3,718,285	$ 98,517
Net Increase (Decrease)	$ 4,336,688	$ 30,835
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 40,555,480	$ 1,292,172
Change in Reporting Entity	13,874	-
Change in Fund Structure	840,293	(840,293)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 41,409,647	$ 451,879
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 45,746,335	$ 482,714

The notes are an integral part of the financial statements.

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
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Major Component Unit Funds

Housing Finance Agency

The agency provides money for loans and technical assistance for construction and rehabilitation of housing for families of low and moderate incomes.

Metropolitan Council

The council is responsible for coordinating the planning and development of the Twin Cities metropolitan area. The council also operates the metropolitan regional sewage treatment and disposal systems and the public transit system. The Metropolitan Sports Facilities Commission, a component unit of the council, operates the Hubert H. Humphrey Metrodome sports facility.

University of Minnesota

The multi-campus university provides undergraduate and graduate degrees, advanced research opportunities, and an extension service. The university includes several nonprofit foundations that provide resources which benefit the university.

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2009 and JUNE 30, 2010
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 521,321	$ 155,069	$ 308,164	$ 373,575	$ 1,358,129
Investments	202,014	245,767	73,410	315,528	836,719
Accounts Receivable	12,397	22,798	348,721	35,104	419,020
Due from Other Governmental Units	-	24,646	-	-	24,646
Due from Primary Government	-	63,866	4,469	2,785	71,120
Accrued Investment/Interest Income	18,838	1,651	1,636	20,045	42,170
Federal Aid Receivable	6,414	-	-	1,875	8,289
Inventories	-	23,512	22,451	47	46,010
Deferred Costs	12,927	-	-	3,734	16,661
Loans and Notes Receivable	-	-	10,513	199,044	209,557
Securities Lending Collateral	-	-	2,196	-	2,196
Other Assets	24,026	4,279	44,297	3,582	76,184
Total Current Assets	$ 797,937	$ 541,588	$ 815,857	$ 955,319	$ 3,110,701
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 125,385	$ 54,909	$ 30,903	$ 48,176	$ 259,373
Investments-Restricted	555,003	-	102,210	21,907	679,120
Accounts Receivable-Restricted	-	16,900	-	2,878	19,778
Due from Primary Government-Restricted	-	28,952	-	18,591	47,543
Other Assets-Restricted	-	18,782	-	-	18,782
Investments	-	-	2,918,375	99,863	3,018,238
Accounts Receivable	-	-	151,833	372,093	523,926
Loans and Notes Receivable	2,268,115	48,126	56,096	2,338,675	4,711,012
Depreciable Capital Assets (Net)	1,631	2,367,406	2,291,750	1,898	4,662,685
Nondepreciable Capital Assets	-	280,963	273,139	779	554,881
Other Assets	-	-	5,154	6,135	11,289
Deferred Loss on Interest Swap Agreements	37,077	-	-	-	37,077
Total Noncurrent Assets	$ 2,987,211	$ 2,816,038	$ 5,829,460	$ 2,910,995	$ 14,543,704
Total Assets	$ 3,785,148	$ 3,357,626	$ 6,645,317	$ 3,866,314	$ 17,654,405
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 19,550	$ 87,250	$ 183,223	$ 9,984	$ 300,007
Payable to Other Governmental Units	-	293	-	-	293
Due to Primary Government	-	1,214	5,639	30,964	37,817
Unearned Revenue	-	10,581	75,206	28,149	113,936
Accrued Bond Interest Payable	48,211	3,447	6,276	14,185	72,119
General Obligation Bonds Payable	-	114,563	90,021	-	204,584
Loans and Notes Payable	56,000	-	273,850	368	330,218
Revenue Bonds Payable	653,690	1,185	5,669	49,630	710,174
Claims Payable	-	5,318	27,700	51,814	84,832
Compensated Absences Payable	174	3,003	182,643	99	185,919
Securities Lending Liabilities	-	-	2,196	-	2,196
Other Liabilities	-	560	66,556	2,051	69,167
Total Current Liabilities	$ 777,625	$ 227,414	$ 918,979	$ 187,244	$ 2,111,262
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 58,148	$ 56,056	$ -	$ 114,204
Unearned Revenue-Restricted	-	31,977	-	-	31,977
Accrued Bond Interest Payable-Restricted	-	10,058	-	382	10,440
Due to Primary Government	-	-	34,827	71,285	106,112
Unearned Revenue	1,298	-	4,036	-	5,334
General Obligation Bonds Payable	-	1,079,484	393,652	-	1,473,136
Loans and Notes Payable	-	1,405	-	2,927	4,332
Revenue Bonds Payable	1,994,817	3,949	133,568	1,535,537	3,667,871
Claims Payable	-	10,491	11,445	576,186	598,122
Compensated Absences Payable	1,707	5,443	55,335	1,027	63,512
Funds Held in Trust	87,425	-	135,197	-	222,622
Other Liabilities	151	56,956	116,872	3,389	177,368
Interest Rate Swap Agreements	37,077	-	-	-	37,077
Total Noncurrent Liabilities	$ 2,122,475	$ 1,257,911	$ 940,988	$ 2,190,733	$ 6,512,107
Total Liabilities	$ 2,900,100	$ 1,485,325	$ 1,859,967	$ 2,377,977	$ 8,623,369
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,631	$ 1,631,372	$ 1,639,839	$ 2,677	$ 3,275,519
Restricted-Expendable	883,417	167,019	1,421,163	1,429,545	3,901,144
Restricted-Nonexpendable	-	-	975,860	-	975,860
Unrestricted	-	73,910	748,488	56,115	878,513
Total Net Assets	$ 885,048	$ 1,872,301	$ 4,785,350	$ 1,488,337	$ 9,031,036

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND JUNE 30, 2010
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 467,175	$ 830,055	$ 3,234,440	$ 430,454	$ 4,962,124
Program Revenues:					
Charges for Services	$ 180,172	$ 359,736	$ 1,476,214	$ 125,351	$ 2,141,473
Operating Grants and Contributions	243,749	206,310	954,063	119,044	1,523,166
Capital Grants and Contributions	-	245,206	184,845	-	430,051
Net (Expense) Revenue	$ (43,254)	$ (18,803)	$ (619,318)	$ (186,059)	$ (867,434)
General Revenues:					
Taxes	$ -	$ 204,256	$ -	$ -	$ 204,256
Investment Income	-	22,164	171,673	40,661	234,498
Other Revenues	1,849	97	59,073	993	62,012
Total General Revenues before Grants	$ 1,849	$ 226,517	$ 230,746	$ 41,654	$ 500,766
State Grants Not Restricted	40,734	-	651,350	241,764	933,848
Total General Revenues	$ 42,583	$ 226,517	$ 882,096	$ 283,418	$ 1,434,614
Change in Net Assets	$ (671)	$ 207,714	$ 262,778	$ 97,359	$ 567,180
Net Assets, Beginning, as Reported	$ 885,719	$ 1,664,587	$ 4,515,984	$ 1,390,978	$ 8,457,268
Change in Accounting Principle	-	-	6,588	-	6,588
Net Assets, Beginning, as Restated	$ 885,719	$ 1,664,587	$ 4,522,572	$ 1,390,978	$ 8,463,856
Net Assets, Ending	$ 885,048	$ 1,872,301	$ 4,785,350	$ 1,488,337	$ 9,031,036

The notes are an integral part of the financial statements.

MINNESOTA

Headwaters of the mighty Mississippi

2010 Comprehensive Annual Financial Report

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Notes to the Financial Statements

These notes provide disclosures relevant to the basic financial statements on the preceding pages.

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following seven GASB statements for the fiscal year ended June 30, 2010.

GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets" was issued in June 2007. The statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. It requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Additional information on the impact of implementing this statement is located in Note 6 – Capital Assets.

GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments" was issued in June 2008. The statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Additional information on the impact of implementing this statement is located in Note 2 – Cash, Investments, and Derivative Instruments.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" was issued in February 2009. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement changed the definitions of some governmental fund types as well. As a result of implementing this statement, there were significant changes in the state‟s fund structure. Funds that did not meet the new special revenue fund definition were moved to the General Fund. This movement included the Environment and Natural Resources, Iron Range Resources and Rehabilitation, Maximum Effort School Loan, Health Impact, and Medical Education and Research funds as well as certain activities within the Miscellaneous Special Revenue Fund. In addition, the Environmental and Remediation funds were combined into one fund called the "Environmental and Remediation Fund." The statement also requires that restricted or committed revenues that are the foundation for a special revenue fund that are initially received in another fund and subsequently distributed to a special revenue fund be recognized as revenue in the special revenue fund expending the revenues. Therefore, transfers from the Highway User Tax Distribution Fund to the Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, and Natural Resources funds were recognized as revenue in the fund expending the revenues, rather than as transfers-in as in prior years. The Highway User Tax Distribution Fund no longer reports the revenue or transfers-out.

GASB Statement No. 55 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued in March 2009. This statement incorporates the hierarchy of GAAP for state and local governments into GASB‟s authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards” was issued in March 2009. This statement incorporates certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants" Statement on Auditing Standards into GASB"s authoritative literature. This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events.

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” was issued in December 2009. The statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agency multiple-employer other post-employment benefit (OPEB) plans. This statement had no impact on the state.

GASB Statement No. 58 “Accounting and Financial Reporting for Chapter 9 Bankruptcies” was issued in December 2009. The statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This statement had no impact on the state.

Financial Reporting Entity of the State of Minnesota

This report includes the state departments, agencies, institutions, and organizational units that are controlled by or dependent upon the Minnesota legislature or its constitutional officers. The state of Minnesota, as a primary government, consists of all organizations that make up its legal entity. This report also includes other legally separate organizations as component units. GASB has established criteria for determining which organizations should be included as component units. Legally separate organizations are reported as component units if either the state is financially accountable for the organization or the nature and significance of the organization"s relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete. These criteria include the state's ability to appoint a voting majority of an organization's governing body, and either the state"s ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

Component units may be blended or discretely presented. All of the state"s component units are discretely presented, or shown separately from the primary government. The “Component Units” column in the accompanying financial statements includes the financial data of the state"s discretely presented component units. Component units are also identified separately in the note disclosures because of their separate legal status. All component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

The following provides a description of the state"s discretely presented component units. Additional information is available from the component unit"s separately issued financial statements.

- Housing Finance Agency (HFA) – HFA provides money for loans and technical assistance for constructing and rehabilitating housing for families of low and moderate incomes. The HFA board has seven members who are either heads of state departments or appointed by the governor. HFA is under the administrative control of a commissioner appointed by the governor. The state has the ability to significantly influence the programs, projects, and levels of services provided by HFA. HFA issues bonds in its own name.

- Metropolitan Council (MC) – MC is responsible for coordinating the planning and development of the seven-county metropolitan area. MC operates the public transit system and the regional sewage collection and treatment system. The governor appoints the council members, including the chair, subject to the advice and consent of the Minnesota senate. The state has the ability to significantly influence the projects and levels of services provided by MC. The regional administrator, appointed by the council, is responsible for the administration of council activities. MC includes the Metropolitan Sports Facilities Commission as a component unit. The fiscal year for MC ends December 31.

- University of Minnesota (U of M) – U of M was established permanently by the Minnesota constitution. The state appropriates a large percentage of the U of M‟s operating budget. The legislature elects the twelve-member board of regents, which governs U of M, but the state does not have direct authority over the management of the university. The state has issued debt for U of M capital projects. U of M includes several foundations as component units.

- Agricultural and Economic Development Board (AEDB) – AEDB administers programs for agricultural and economic development. AEDB has seven members, four of whom are commissioners of state departments. The state has the ability to significantly influence the programs and projects of AEDB. AEDB controls the operations of the agriculture resource programs and loans. AEDB may issue revenue bonds for the purpose of financing development projects.

- National Sports Center Foundation (NSCF) – The Minnesota Amateur Sports Commission contracts with NSCF to operate various sports facilities, including the National Sports Center, primarily for holding youth-oriented athletic and other non-athletic functions and events. Although the facilities belong to the state, NSCF is responsible for the operating costs and certain improvements to the facilities. The commission appoints foundation board members, approves the foundation's spending budget, approves all rates and fees, and owns any reserve funds. The fiscal year for NSCF ends December 31.

- Office of Higher Education (OHE) – OHE makes and guarantees loans to qualified post-secondary students. To fund the loan program, revenue bonds are issued in OHE‟s name with limitations set by the legislature. OHE also administers the state grant program. The state provides administrative funding for these programs. The governor appoints the OHE director with the advice and consent of the senate.

- Public Facilities Authority (PFA) – PFA provides assistance to municipalities, primarily for wastewater treatment construction projects. The state provides funding and administrative services for PFA. The authority is composed of commissioners from state departments and agencies. The commissioners direct the operations of the authority and determine the funding for local government projects. PFA issues revenue bonds to make loans for wastewater treatment facilities.

- Rural Finance Authority (RFA) – RFA administers a number of state agriculture programs, including the homestead redemption program, loan restructuring program, and agricultural improvement program. The board of the authority consists of state department heads and members appointed by the governor. RFA is under the administrative control of the commissioner of the Department of Agriculture, who is a member of the board. The state has issued general obligation bond debt for RFA programs.

- Workers' Compensation Assigned Risk Plan (WCARP) – WCARP is the source of workers' compensation and employers' liability coverage for Minnesota employers unable to obtain an insurance policy through the voluntary market. WCARP operations are subject to review by the state commissioner of the Department of Commerce. The commissioner enters into administrative contracts, sets premium rates, and makes assessments. The commissioner has the authority to assess all licensed workers' compensation insurance companies doing business in Minnesota an amount sufficient to fully fund the obligations of the plan to the extent that the assets of the plan are inadequate to meet its obligations. The fiscal year for WCARP ends December 31.

A component unit is classified as major or nonmajor, depending on its significance relative to other component units and the nature and significance of the component unit‟s relationship to the primary government. HFA, MC, and U of M are classified as major component units for this report.

Because AEDB and RFA do not issue separately audited financial statements, the combining financial statements include a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows for each of these component units.

Complete financial statements of the discretely presented component units may be obtained from their respective administrative offices as follows:

Housing Finance Agency 400 Sibley Street, Suite 300 St. Paul, Minnesota 55101-1998	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108-5227
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55455	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Building, Suite E200 332 Minnesota Street St. Paul, Minnesota 55101-1351
National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449	Workers" Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 8300 Norman Center Drive, Suite 1000 Minneapolis, Minnesota 55437
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	

Related Entities – These are entities for which the state is accountable because the state appoints a voting majority of the board, but for which the state does not have financial accountability. The following are related entities, but are not included in the reporting entity:

- Higher Education Facilities Authority – The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.

- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

The following organizations, which are included in the primary government, prepare and publish separate financial reports, which may contain differences in presentation resulting from differing reporting emphasis. These financial reports may be obtained directly from each organization.

Minnesota State Lottery 2645 Long Lake Road Roseville, Minnesota 55113	Minnesota State Retirement System 60 Empire Drive, Suite 300 St. Paul, Minnesota 55103
Public Employees Retirement Association 60 Empire Drive, Suite 200 St. Paul, Minnesota 55103	Teachers Retirement Association 60 Empire Drive, Suite 400 St. Paul, Minnesota 55103
State Board of Investment 60 Empire Drive, Suite 355 St. Paul, Minnesota 55103	Minnesota State Colleges and Universities Financial Reporting Unit 500 Wells Fargo Place, 30 East 7th Street St. Paul, Minnesota 55101

The financial reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state‟s Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

The basic financial statements include government-wide and fund financial statements. The government-wide financial statements report on the state as a whole, while the fund financial statements emphasize major individual funds and fund types. Both types of statements categorize activities as either governmental or business-type. Governmental expenditures are classified by function. Each of the state‟s departments and agencies is included in a functional classification based on its primary mission and objectives.

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and its discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once in the function for which the expenses were made. General government expenses that benefit state agencies have not been allocated as indirect expenses to the various functions of the state, but are reported under the General Government function.

The focus of the government-wide statements is on financial information of the state as an entity and the change in the overall financial position of the state as a result of the activities of the fiscal year. Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all economic resources and obligations of the reporting government, both current and long-term, are reported in the government-wide statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements. These amounts are reported as expenditures in the governmental fund financial statements. Long-term debt is recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liabilities, rather than as expenditures.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis by column. The statement includes long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports how much of the cost of each functional category (public safety and corrections, transportation, etc.) is supported by general government revenues (sales taxes, income taxes, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues, and by operating and capital grants and contributions.

Program revenues must be directly associated with, or derived directly from, the function, or a business-type activity. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. Program revenues are applied against program expenses in the Statement of Activities to report the net cost of each program.

General revenues normally cover the net costs (program expenses less program revenues) of all activities. Taxes represent the majority of general revenues. Internally dedicated resources are reported as general revenues, rather than program revenues.

Fund Financial Statements

Fund financial statements report on the financial operations and position of governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. The emphasis in fund financial statements is on the major funds in the governmental or enterprise categories. All remaining governmental, proprietary, and fiduciary funds are aggregated and reported as nonmajor funds.

Governmental funds, including the general, special revenue, capital projects, debt service, and permanent funds, are presented on a current financial resource measurement focus and modified accrual basis of accounting in the fund financial statements. This presentation is deemed most appropriate to demonstrate compliance with legal and covenant requirements, the source and use of financial resources, and how the state‟s actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

Proprietary funds, including the enterprise and internal service funds, are presented on the economic resource measurement focus and full accrual basis of accounting in the fund financial statements. This is the same measurement focus and basis of accounting as the government-wide financial statements.

The state‟s fiduciary funds are presented in the fund financial statements by type (pension, investment trust, or agency). These assets are held for the benefit of others and cannot be used for activities or obligations of the government; therefore, the funds are excluded from the government-wide statements.

The fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate, for governmental and enterprise funds.

Classification of Funds

The financial position and results of state operations are organized using individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts used to record the financial transactions and balances of that entity. Individual funds have been established as stipulated by legal provisions or by administrative discretion. The state uses fund accounting, which is designed to demonstrate legal compliance and to segregate transactions related to certain government functions or activities.

Governmental Fund Types – These funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Most state operations are accounted for in this fund category. Included in this classification are:

- General Fund which accounts for all financial resources not accounted for and reported in another fund.

- Special revenue funds which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

- Capital project funds which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.

- Debt Service Fund which accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest.

- Permanent Fund which accounts for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the state"s programs.

The state has two major governmental funds. The General Fund is the principal operating fund used to account for most of the general activities of the state. The Federal Fund is the state"s only major special revenue fund. It receives and disburses federal government grants, reimbursements, recoveries, and premiums.

Proprietary Fund Types – These funds focus on determining net income, changes in net assets, financial position, and cash flows. Generally accepted accounting principles similar to those used by private sector businesses are followed in accounting for these funds. The fund types included in this category are the enterprise and internal service funds.

- Enterprise funds account for activities that charge a fee to external users for goods or services. Activities of enterprise funds are financed and operated similarly to private business enterprises where the intent of the governing body is to recover costs primarily through user fees.

- Internal service funds account for the financing of goods or services provided by one agency to other agencies on a cost reimbursement or other basis. The activities reported as internal service funds include motor pool, central services, central stores, employee insurance, technology services, plant management, and risk management.

The state has two major enterprise funds, the State Colleges and Universities Fund and the Unemployment Insurance Fund. The State Colleges and Universities Fund accounts for the activities of the Minnesota State Colleges and Universities (MnSCU) System. MnSCU, the largest higher education system in the state, is a system of public colleges and universities. The Unemployment Insurance Fund receives unemployment taxes collected from employers and pays unemployment benefits to eligible individuals.

Fiduciary Funds Types – These funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. Pension, investment trust, and agency fund types are included in this fund category.

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.

- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.

- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals. Some examples include resources held for inmates of correctional facilities or residents of veterans and group homes, sales taxes to be distributed to local governments, and child support collections to be distributed to custodial parents.

Basis of Accounting, Measurement Focus, and Fund Financial Statement Presentation

All governmental funds focus on the flow of current financial resources and use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) to fund balances. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. The state considers receivables collected after June 30, but by the close of the books in late August, to be available, and recognizes these receivables as current year revenues in governmental funds. Individual income taxes, property taxes, sales taxes, and federal grants are the major revenue sources susceptible to accrual. Revenues collected in advance, including certain federal grant revenues to which the state does not yet have legal entitlement, are reported as deferred revenue until the related commitment arises, at which time revenue is recognized. Expenditures and related liabilities are recognized when fund obligations are incurred, except for debt service, compensated absences, pollution remediation obligations, pension and other postemployment benefits, and claims and judgments, which are recorded when due and expected to be liquidated with available financial resources. The following provides further detail on specific items regarding the modified accrual basis of accounting.

Tax Revenues – Tax revenues, excluding property taxes, are recognized in the period they become both measurable and available to finance expenditures of the current period. Measurable means that taxpayer liability is supported by sufficient documentation and can be reasonably estimated. The state‟s liability for anticipated refunds of such taxes is estimated and recorded as reductions in revenue in the period when the related tax is recognized.

Property Tax Revenues – Laws of Minnesota Special Session 2001 established a state general tax (property tax) against commercial-industrial and seasonal recreational property. The tax is distributed among counties by applying a uniform rate to the appropriate tax capacities in each county. Levies are determined based on the formula contained in the laws. The state preliminarily certifies the state general levy rate to each county no later than November 1 of each year for taxes payable in the following calendar year. The state certifies the final state general tax levy on January 1 of each year to each county. Property taxes are due to counties in two installments for each year – May 15 and October 15. The counties pay the state general tax to the state on three dates – June 30, December 1, and January 25, for any adjustments or changes. Local units of government, as agents for the state, assess the state general tax. Property tax is recognized, net of uncollectible amounts, in the period for which the taxes are levied and the taxes are available.

Federal Revenues – Federal revenues, earned by incurring allowable obligations, are recognized at the same time the related obligation is recognized, with one exception. Trunk Highway Fund (special revenue fund) expenditures incurred by June 30, but not converted to Federal funding by the close of the federal fiscal year, are not recognized as federal revenues.

Proprietary, pension, and investment trust funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as incurred. The accrual basis of accounting is also used for contributions, benefits, and refunds paid for defined benefit and defined contribution pension plans. Agency funds use the accrual basis of accounting, but do not have a measurement focus because agency funds do not recognize revenues and expenses.

Proprietary funds distinguish operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund"s principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expense, and depreciation of capital assets. All other revenues and expenses are reported as nonoperating items.

Private-sector standards of accounting and financial reporting, including Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, generally are followed in the government-wide, proprietary, and component unit financial statements to the extent that those standards do not conflict with or contradict GASB guidance. Except for the Workers" Compensation Assigned Risk Plan (WCARP) (component unit), the government has elected not to follow subsequent private-sector guidance. WCARP has elected to follow all applicable FASB statements issued after November 30, 1989, that do not contradict GASB pronouncements.

Cash Equivalents and Investments

Cash Equivalents – Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash equivalents also include management pools and money market funds that are used essentially as demand deposit accounts.

Investments – Investments are reported at fair value. The basis for determining the fair value of investments that is not based on market quotations includes analysis of future cash flows, audited financial statements, and independent appraisals. Investments in derivatives are generally made to manage the overall risk of the individual manager"s portfolios to a level satisfactory to the investment management firm and in accordance with the firm"s contract with the State Board of Investment. See Note 2 – Cash, Investments, and Derivative Instruments for additional information regarding cash, investments, and derivative instruments.

Inventories

Generally, inventories for governmental funds are recorded as expenditures when purchased and are not a resource available for appropriation. For the Trunk Highway Fund (special revenue fund), inventories are valued using weighted-average cost. Inventories maintained by the various funds are determined by annual and periodic physical counts. Inventories of proprietary funds are valued using the first-in, first-out, average cost, or specific cost methods.

Securities Lending

Securities on loan for cash collateral and the liabilities resulting from the security lending transactions are reported on the Statement of Net Assets or the Balance Sheet, as appropriate, for the particular fund type or level of reporting. Securities lending income and rebate and management fees are reported separately on the Statement of Revenues, Expenditures and Changes in Fund Balances; the Statement of Revenues, Expenses and Changes in Net Assets; or the Statement of Changes in Net Assets, as appropriate for the particular fund type.

Restricted Assets

Mandatory asset segregations required by bond covenants and other external restrictions are presented in enterprise funds and discretely presented component units as restricted assets. After liabilities from restricted assets are paid, any remaining restricted assets in the enterprise funds will be used for debt service.

Income Tax Credits

The Minnesota Department of Revenue processes several types of tax credits through the individual income tax system. For financial reporting purposes, income tax credits that are limited by the amount of the individual"s tax liability (before considering such credits) are reported as revenue reductions. In contrast, credits for Education, Working Family, Fuel Taxes, and Child and Dependent Care may be received even if they exceed the individual"s tax liability. These types of credits are reported as expenditures, rather than revenue reductions, because the income tax system is, essentially, being used as a filing and payment mechanism to make grant payments to individuals.

Grant Expenditures and Liabilities Recognition

Grants are defined as nonexchange transactions because the state gives (or receives) value to another party without receiving (or giving) equal value in return. Grants are normally paid on either a reimbursement basis or an entitlement basis.

Reimbursement type grants may be awarded for specific services provided to eligible recipients, or may be made for eligible types of reimbursements. Grants paid on the reimbursement basis are recognized as expenditures and liabilities in the year in which the grantee incurs the costs of providing specific services to eligible recipients or makes eligible types of expenditures.

Entitlement type grants may be based on services provided by the grantee. The intent of the grant is to help fund such services, but the grant amount is not based on the cost of providing the service(s). Expenditures and the related liabilities for these types of entitlement grants are recognized as the service is provided if the amount owed can be reasonably estimated soon after the end of the state"s fiscal year. Other types of entitlement grants are not based on the services provided or action taken by the grantee. Expenditures and the related liabilities for these types of grants are recognized in the fiscal year in which the resources were appropriated.

Compensated Absences

State employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. Leave balances are liquidated in cash only upon termination from state employment. The current and noncurrent compensated absences liabilities for governmental funds are reported only in the government-wide Statement of Net Assets. All other fund types report the liability for compensated absences as a liability of the specific fund.

Capital Assets

Capital assets, which include land, buildings, equipment, infrastructure, and intangible assets, are reported in the government-wide financial statements and the fund financial statements for proprietary and fiduciary funds. Capital assets are generally defined by the state as assets with an initial, individual cost of more than $30,000 for equipment and $300,000 for buildings, and an estimated useful life of at least three years.

Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. An inventory of land and buildings was completed in 1985. Historical cost records for older capital assets are incomplete or not available; therefore, estimated historical costs have been used in these situations. Permanent School Fund (permanent fund) land is reported at estimated historic cost. The land included in the Permanent School Fund was granted to the state by the federal government in connection with the state being admitted to the United States. Tax forfeited land is not included in land inventory because the state does not take permanent title. When the land is sold, proceeds are distributed to local jurisdictions.

Capital assets are depreciated using the straight-line method generally based on the following useful lives: 20-50 years for buildings, 20-50 years for large improvements, 20-50 years for easements, 8-12 years for internally generated computer software, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach, land, construction in progress, permanent easements with indefinite useful lives, and works of art and historical treasures, such as the state capitol, are not depreciated.

GASB Statement No. 34 allows an alternative (modified) approach to the recording of infrastructure assets in which costs to maintain and preserve these assets are expensed in lieu of depreciation. The transportation infrastructure capital assets of pavement and bridges are reported using the modified approach. In electing to use this option for transportation infrastructure, the state uses an asset management system which establishes minimum standards and determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the state"s pavement and bridges are included in Required Supplementary Information. See Note 6 – Capital Assets for further information on capital assets.

Current and Noncurrent Assets

At the government-wide level, assets are classified as either current or noncurrent. Governmental activity current assets are those, including cash, various receivables, and short-term investments, considered available for appropriation and expenditure. Current assets in business-type activities are those that are available or can readily be made available to meet the cost of operating or to pay current liabilities. All other assets are considered noncurrent. Assets are classified as current or noncurrent in proprietary funds, but assets are not classified at the fund level for governmental funds.

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. Long-term liabilities are the noncurrent portions of liabilities resulting from debt issuances, compensated absences, closure and postclosure care for landfills, workers" compensation claims, pollution remediation obligations, net pension and other postemployment benefit obligations, and arbitrage rebate requirements. In proprietary fund statements, these liabilities are reported as liabilities of each individual fund.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

See Note 12 – Long-Term Liabilities – Primary Government for further information.

Deferred Compensation Plan

The state offers a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The State Deferred Compensation Fund (pension trust fund) represents the value of all assets of the plan. The plan is available to all public employees in the state and is administered by the Minnesota State Retirement System. Under this plan, compensation is deferred for income tax purposes in accordance with Section 457 and is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with state statute, effective July 1, 1997, contributions are held for the exclusive benefit of the participants and their beneficiaries. These amounts are held in trust, in custodial accounts, or in qualifying contracts, as required by federal law. The State Board of Investment determines the investment options available to plan participants and oversees the activities of the investment managers. The majority of the assets of the plan are invested in various mutual funds. The state is not liable for any investment losses under the plan.

Net Assets/Fund Balances and Fund Balance Classification Policies and Procedures

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Invested in Capital Assets, Net of Related Debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of such assets. Significant unspent related debt proceeds are included in Restricted for Capital Projects.

Restricted Net Assets represent the portion of net assets that are constrained either externally by parties such as creditors or grantors, or legally through constitution provisions or enabling legislation. Restricted net assets are determined at the fund level. For a fund with more than one revenue stream, restricted net assets are determined by the materiality of any restricted revenues in the fund. When both restricted and unrestricted net assets are available for use, the state policy is to use restricted resources first.

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the state is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or, imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state legislature are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the state legislature removes or changes the specified use by taking the same type of action it employed to commit those amounts. Amounts that are constrained by the state"s intent to be used for specific purposes, but are neither restricted nor committed, are classified as assigned fund balances. Intent is expressed by state officials to whom the state has delegated the authority to assign amounts to be used for specific purposes. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The state"s policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the state"s policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds. Some appropriations are "open appropriations" for entitlement type and some interfund transfer programs. In these cases, the amount that is needed to fulfill the obligation for the fiscal year is made available. There is no limit on the amount that can be expended for the program. Estimates of the amount needed for such programs are included in the budget forecast.

Budgetary control is essentially maintained at the departmental level except for certain programs where control is at the program level. In most departments, upon notifying the governor and legislative leadership, department heads are permitted to revise budgets by transferring amounts between programs within their departments.

Unencumbered appropriation balances generally cancel to the fund at the end of the fiscal year. However, if specifically provided by law, or if statutory authority is invoked by the agency, the unencumbered balance may be carried forward between fiscal years. The budget and the state accounting system are maintained essentially on a cash basis with the exception that, at year-end, encumbered amounts are included in the expenditures of the year appropriated for budgetary reporting. The accounting system controls expenditures by appropriation line item as established in the legally adopted appropriation bills. There was one instance in fiscal year 2010 where expenditures exceeded the authorized limits at the legal level of budgetary control. The Tax Court overspent its budget authority by $2,547. The Tax Court plans to seek legislative action to approve the additional expenditures. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

Generally, internal service fund activity has been eliminated from the government-wide statements. Internal service fund activity from external customers is reported under governmental activities in the government-wide statements. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for residual amounts between governmental and business-type activities. See Note 5 – Interfund Transactions for additional information.

Prior Period Adjustments

See Note 6 – Capital Assets for discussion of the prior period adjustments.

Minneapolis Employees Retirement Fund

The Laws of Minnesota, Chapter 359, Article 11, transferred the administration of the Minneapolis Employees Retirement Fund (MERF) to the Public Employees Retirement Association board of directors effective June 30, 2010. During fiscal year 2009, investment activity of MERF was presented in the state‟s Investment Trust Fund (fiduciary fund). Investment balances as of July 1, 2009, were transferred from the Investment Trust Fund to a pension trust fund (Minneapolis Employees Retirement) managed by the Public Employees Retirement Association board of directors and were reported as a change in fund structure. The additional July 1, 2009, assets and liabilities were reported as a change in reporting entity in the Minneapolis Employees Retirement Fund (pension trust).

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

The majority of the primary government‟s cash is held in the state treasury and commingled in state bank accounts, while the majority of component unit cash is held in separate bank accounts. Cash in individual funds may be invested separately where permitted by statute; however, cash in most funds is invested as part of an investment pool. A fund‟s investment with the primary government‟s cash pools is reported as a cash equivalent. Where provided by statute, investment earnings of the primary government‟s pools are allocated to the individual funds. Earnings for all other participants are credited to the General Fund.

Deposits

Minnesota Statutes, Section 9.031, requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state‟s name by an agent of the state. The statute further requires that the insurance and collateral shall be in an amount sufficient to ensure that the deposits do not exceed 90 percent of the sum of the insured amounts and the fair value of the collateral.

Investments

The State Board of Investment (SBI) manages the majority of the state‟s investments. All investments undertaken by SBI are governed by the standards codified in Minnesota Statutes, Chapters 11A and 356A. Minnesota Statutes, Section 11A.24, broadly restricts investments of the primary government to obligations and stocks of United States and Canadian governments, their agencies and registered corporations, other international securities, short-term obligations of specified high quality, restricted participation as a limited partner in venture capital, real estate, or resource equity investments, and restricted participation in registered mutual funds.

Funds not invested by SBI are primarily Minnesota State Colleges and Universities‟ funds. Investments for these funds must also conform to the above statutes and may be further restricted by bond indentures.

Generally, when applicable, the statutes limit investments to those rated by a nationally recognized rating agency within the top four quality ratings categories. The statutes further prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

SBI is authorized to establish, and has established, combined investment funds used by participating public retirement and nonretirement funds. Retirement and nonretirement funds may not be commingled. Each investment fund has its own characteristics, including investment objective and risk characteristics. Within statutory requirements and based on detailed analyses of each fund, SBI has established investment guidelines and benchmarks for all funds under its management. These investment guidelines and benchmarks are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure, and specific performance standards.

Investment Derivative Instruments

Minnesota Statutes, Section 11A.24, provides that any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. This provision applies to foreign currency forward contracts used to offset the currency risk of a security. All other derivatives are exchange traded. The purpose of the SBI derivative activity is to equitize cash in the portfolio, to adjust the duration of the portfolio, or to off-set current futures positions.

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2010, fair value of investment derivatives are reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the Pension Trust and Investment Trust Funds portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2010, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $747,887,000 that is $37,692,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of $214,955,000 and $326,545,000, respectively.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2010:

Primary Government
Derivative Activity for the Year Ended June 30, 2010
By Derivative Type
(In Thousands)

	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	$ 23,370	$ 113	$ -
Fiduciary Activities:			
Futures	$ 15,272	$ (42,397)	$ -
Futures Options Bought	(5)	164	420
Futures Options Written	3,820	(4,338)	(2,433)
FX Forwards	4,633	-	641
TBA Transactions	56,042	906,900	7,332 (1)
Stock Rights/Warrants	2,374	2,615	2,248
	$ 82,136	$ 862,944	$ 8,208

(1) Shown at net unrealized gain.

Credit Risk: Minnesota is exposed to credit risk through the counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state‟s FX Forward counter party, Royal Bank of Scotland, PLC, exposes the state to a maximum loss of $1,526,000 and five others combined expose the state to a maximum loss of $773,000 should these counter parties fail to perform. These counter parties have S&P credit ratings of AA- or better.

Foreign Currency Risk: Currency futures and foreign stock index futures are exposed to foreign currency risk. Their currency risks are included in the investment Foreign Currency Risk schedule of this note.

Component Unit Derivative Activity: Derivative activity of the state‟s component units is disclosed in the last section of this note.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The state does not have a policy on interest risk. The contracts between SBI and investment managers contain the guidelines and limitations regarding interest rate risk. Debt securities are constrained around the quality rating, sector mix, and duration of the Lehman Aggregate Bond Index. Interest rate risk information is presented using the weighted average maturity method, which expresses investment time horizons, the period when investments become due and payable in years or months, weighted to reflect the dollar size of individual investments within investment type.

Credit Risk of Debt Security Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit investments in debt securities to the top four quality ratings categories by a nationally recognized rating agency. The state does not have a credit risk policy that is more stringent than the statutory requirements. The contracts between SBI and investment managers include guidelines or limitations regarding credit risk.

The primary government"s investments, excluding pension trust and investment trust funds, as of June 30, 2010, are presented below using the Standard & Poor"s (S & P) rating scale.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2010
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating: AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 318,125	0.06	100%	-	-	-
U.S. Agencies	438,765	3.51	100%	-	-	-
Mortgage-backed Securities	261,219	21.42	89%	9%	1%	1%
State or Local Government Bonds	59,713	9.06	95%	4%	-	1%
Corporate Bonds	1,140,652	1.60	31%	68%	1%	-
Commercial Paper	2,508,560	0.14	33%	67%	-	-
Repurchase Agreements	501,614	0.01	-	1%	-	99%
Certificates of Deposit	494,115	0.09	69%	31%	-	-
Total Debt Securities	$ 5,722,763					
Equity Investments:						
Corporate Stock	$ 588,029					
Alternative Equities	8,055					
Total Equity Investments	$ 596,084					
Other Investments:						
Escheat Property	$ 9,961					
Money Market Accounts	4,621					
Total Other Investments	$ 14,582					
Total Investments	$ 6,333,429 (1)					

(1) Total investments are less than the amount shown on the face of the financial statements as amounts do not include cash on hand.

Investments of the pension trust and investment trust funds are presented below:

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
As of June 30, 2010
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating: AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 1,971,083	10.19	100%	-	-	-
U.S. Agencies	647,365	9.34	99%	-	-	1%
Mortgage-backed Securities	3,017,023	24.75	79%	8%	9%	4%
TBA Mortgage-backed Securities	959,437	N/A	83%	-	-	17%
State or Local Government Bonds	126,046	21.48	34%	56%	-	10%
Corporate Bonds	3,427,714	9.28	23%	68%	7%	2%
Foreign Country Bonds	20,285	8.59	45%	51%	-	4%
Commercial Paper	1,202,770	0.19	94%	6%	-	-
Asset-backed Securities	389,938	10.74	69%	18%	4%	9%
Certificates of Deposit	224,426	0.12	59%	-	-	41%
Repurchase Agreements	580,836	0.01	10%	66%	-	24%
Futures Options	(2,013)	N/A	-	-	-	100%
Total Debt Securities	$ 12,564,910					
Other Investments:						
Guaranteed Investment Account						
Guaranteed Investment Contract (GIC)	$ 326,545					
Synthetic GIC	710,195					
Short Term Investments Pool	214,955					
Total Guaranteed Investment Account	$ 1,251,695					
State Street Global Investment Pools	257,341					
Mutual Funds	3,148,919					
Total Other Investments	$ 4,657,955					
Equity Investments:						
Corporate Stock	$ 23,349,018					
Alternative Equities	6,404,023					
Stock Rights/Warrants	2,248					
Total Equity Investments	$ 29,755,289					
Total Investments	$ 46,978,154 (1)					

(1) Total investments include cash equivalent investments not included in the investment pools.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government‟s investment in a single issuer. The state does not have a formal policy regarding concentration of credit risk for rated corporate debt securities that are among the top four quality categories. For other types of investments, Minnesota Statutes, Section 11A.24, established the following parameters:

Unrated Corporate Obligations

- Aggregate value may not exceed 5 percent of the market or book value, whichever is less, of the fund being invested.

- SBI‟s participation is limited to 50 percent of a single offering.

- SBI‟s participation is limited to 25 percent of the issuer‟s unrated obligations.

Corporate Stock

- Aggregate value of corporate stock may not exceed 85 percent of the market or book value, whichever is less, of a fund.

- Generally, investment in corporate stock may not exceed five percent of the total outstanding shares of any one corporation.

The state did not have concentration of credit risk over 5% as of June 30, 2010.

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment or a deposit. SBI has established guidelines to be used by investment managers for international investing. Under these guidelines, countries are categorized based on a country‟s legal structures and standings regarding worker and human rights issues. Managers may invest in countries with legal structures that generally respect the rights of workers and human rights without additional notification of SBI. Investment managers who wish to invest in other countries must either notify SBI in writing or appear before SBI, depending on the country involved. Managers with authority to invest in foreign securities are given authority to hedge foreign currency through forward contracts to avoid currency losses.

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2010.

The following table presents foreign currency risk for pension trust and investment trust funds:

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2010
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 1,710	$ -	$ 319,313
Brazilian Real	199	-	95,813
Canadian Dollar	1,852	2,268	450,337
Euro Currency	5,548	-	1,295,668
Hong Kong Dollar	1,913	-	388,752
Indian Rupee	615	-	158,348
Japanese Yen	8,797	-	1,043,484
New Taiwan Dollar	1,980	-	100,441
Pound Sterling	6,724	18,551	905,712
Singapore Dollar	690	-	83,474
South African Rand	126	-	73,833
South Korean Won	190	-	171,596
Swedish Krona	819	-	106,007
Swiss Franc	528	-	348,488
Other	1,627	-	385,247
Total	$ 33,318	$ 20,819	$ 5,926,513

Custodial Risk – Investments

Custodial risk for investments is the risk that, in the event of a failure of the counterparty, the state will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are held in the state"s name and collateral for repurchase agreements is held in the state"s name by third party agents. The primary government does not have a formal policy for custodial credit risk.

Securities Lending

Minnesota Statutes do not prohibit the state from participating in securities lending transactions. The state has, by a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company (State Street) to act as agent in lending state securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, State Street lent, on behalf of the state, certain securities held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to at least 100 percent of the fair value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the state in the event of default by a borrower. No borrower failed to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default.

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2010, such investment had an average duration of 8.03 days and an average weighted maturity of 43.2 days for USD collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2010, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2010, were $3,845,017,000 and $3,720,274,000 respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

Metropolitan Council and University of Minnesota (major component units) were engaged in separate securities lending programs during the calendar year and fiscal year, respectively. Their separately-issued financial statements disclose the facts regarding those programs. Neither of these component units had a credit risk at year-end.

Housing Finance Agency

As of June 30, 2010, Housing Finance Agency (HFA) had $1,403,723,000 of cash, cash equivalents, and investments. As of June 30, 2010, $475,564,000 of deposits and $802,982,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 2.6 – 24.1 years (U.S. Agencies).

HFA cash equivalents included $171,142,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2010, most investment agreement providers had a Standard & Poor‟s long-term credit rating of „A- or higher‟ and a Moody‟s Investors Service long-term credit rating of „A3 or higher.‟ The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

HFA investments had an estimated fair market value of $757,017,000 as of June 30, 2010. Included in these investments were $10,683,000 in U. S. Treasuries (not rated), plus $332,355,000 in Certificates of Deposit and $366,221,000 in U.S. Agencies having a Standard & Poor‟s rating of „AAA‟ and Moody‟s Investors Services rating of „Aaa‟. An additional $36,970,000 in municipal debt investments had a Standard & Poor‟s rating of „AA‟ and Moody‟s Investors Services rating of „Aa‟.

HFA had investments in single issuers as of June 30, 2010, excluding investments issued or explicitly guaranteed by the U.S. Government, that were five percent or more of total investments. These investments amounted to $593,446,000 and involved Federal Home Loan Banks and Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA‟s cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA‟s consultant and are reported at fair value as of June 30, 2010, as Interest Rate Swap Agreements noncurrent liability. The change in fair value for fiscal year 2010 is reported in Deferred Loss on Interest Rate Swap Agreements noncurrent asset.

As of June 30, 2010, HFA had six, six, and two interest rate swap agreements with counterparties USB, AG; Royal Bank of Canada; and Citibank, N.A. for total notional amounts of $146,205,000; $205,390,000; and $80,485,000 having fair values of ($11,199,000), ($20,284,000), and ($5,594,000), respectively. For these counterparties, respectively, the increase (decrease) in fair values for fiscal year ended June 30, 2010, were ($3,806,000), ($4,317,000) and ($1,748,000).

The fair value of the swap represents HFA"s potential exposure to credit risk. The counterparties, UBS, AG; Royal Bank of Canada; and Citibank, N.A. have been rated by Moody"s as „Aa3," „Aaa," and „A1," respectively, and by Standard & Poors as „A+," „AA-„„ and „A+", respectively.

All swaps are pay-fixed with initial notional amounts that matched the original principal amounts and have terms which reduce the notional amounts to approximately follow the anticipated reductions in outstanding principal. HFA has also purchased the cumulative right, generally based upon a 300% PSA prepayment rate (the standard prepayment model of the Security Industries and Financial Market Association) on the underlying mortgage loans, to further reduce the notional balances of the swaps as necessary to match outstanding principal amounts of the associated bonds. HFA also has the right to terminate outstanding swaps in whole or in part at any time if it is not in default there under. The swap contracts may also be terminated by the counterparties but are generally limited to HFA payment default or other HFA defaults that remain uncured for 30 days.

The variable rate HFA pays on its bonds resets weekly, but the variable rate received on its swaps is based upon a specified percentage of the one month, taxable LIBOR rate or the SIMFA index rate. This exposes HFA to basis risk (the risk that the rates do not equal), and this risk will vary over time due to inter-market conditions.

HFA assumes the risk that changes in the tax code may vary from the historical long-term relationship between taxable and tax-exempt short-term interest rates for economic reasons.

Metropolitan Council

As of December 31, 2009, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of $455,745,000. Of this amount, $432,676,000 was subject to rating. Using the Moody"s Investors Services rating scale, $260,384,000 of these investments were rated „Aaa" and $97,993,000 were rated „Aa3," while $74,299,000 were not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $82,931,000 U.S. Treasury and agency investments, MC has a custodial credit risk exposure of $2,502,000 because the related securities are held by a custodial agent in the broker"s name.

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2009. The investment portfolio has an average yield of 1.7 percent, modified duration of 2.9 years, effective duration of 2.2 years, and convexity of -.03.

The following table presents the estimated fair value of MC, excluding its component unit, investments subject to interest rate risk using the simulation model.

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2009
(In Thousands)

	Estimated Fair Value
	$ 439,341
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	$ 434,315
100 Points	$ 429,650
150 Points	$ 425,092
200 Points	$ 420,663

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100% of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption and since 2006 its natural gas consumption. The hedging transactions are separate from fuel purchase transactions. For 2009, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2009, MC had 329 New York Mercantile Exchange (NYMEX) heating oil futures contracts (13.8 million gallons) acquired from September 29, 2008, through December 14, 2009, to terminate on dates from January 29, 2010, through November 30, 2011. MC also had 70 natural gas futures contracts acquired from September 22, 2008, through October 20, 2009, to terminate on dates from January 27, 2010, through September 28, 2011.

As of December 31, 2009, the heating oil and natural gas futures contracts had a fair value of ($733,388) and ($959,803), respectively. These values are reported in "Other Assets – Current" and offset in "Accounts Payable – Current."

By using NYMEX heating oil futures to hedge diesel fuel, MC has a risk that the prices will significantly deviate from each other. Historically, there has been a strong historical correlation between the two products.

University of Minnesota

As of June 30, 2010, University of Minnesota (U of M), including its discretely presented component units, had $339,067,000 of cash and cash equivalents and $3,093,995,000 of investments. U of M‟s discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $290,580,000 and investments of $1,388,586,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2010, $2,917,000 of U of M‟s bank balance of $3,167,000 was uninsured and uncollateralized.

U of M maintains centralized management for substantially all of its cash and investments. The Board of Regents establishes U of M‟s investment policies and objectives. U of M uses internal investment pools designed to maximize investment return within established risk parameters for each pool.

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor‟s ratings and duration as a measure of a debt investment‟s exposure to fair value changes arising from changing interest rates. As of June 30, 2010, $695,948,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $684,486,000 was rated AAA
- $10,101,000 was rated BBB
- $1,361,000 was not rated

The securities subject to interest rate risk were comprised of:

- $365,591,000 in government agencies with an average duration of 1.95 years
- $10,101,000 in corporate bonds with an average duration of 0.99 years
- $25,215,000 in mortgage backed securities with an average duration of 2.33 years
- $275,555,000 in cash and cash equivalents with an average duration of 0.04 year
- $19,486,000 in other types of securities (primarily mutual funds) with an average duration of 0.73 years

As of June 30, 2010, U of M had $40,862,000 of equity investments subject to foreign currency risk. The three largest components of this amount are $5,284,000 in Japanese Yen; $17,471,000 in Euro Currency; and $2,683,000 in Pound Sterling.

U of M has entered into six separate pay-fixed, receive-variable interest rate swaps to hedge against the variability of cash flows for budgeting purposes.

Upon implementation of GASB 53, three of the contracts were determined to be ineffective hedges and were terminated effective November 1, 2009, in a restructuring that modified the fixed pay rate and the variable pay reference rates. Termination of the ineffective contracts resulted in retirement of long-term debt of $18,479,000 and recognition of new long-term debt of $13,960,000 for a net gain of $4,519,000.

The three contracts with the new terms are effective hedges with a total notional amount of $301,150,000 and total fair value of ($9,749,000) at June 30, 2010. U of M‟s exposure to credit risk is measured by the fair value. The contracts have terms requiring the counter parties to post collateral if the fair value reaches a minimum threshold. These counterparties are rated „Aa3,‟ „Aa1,‟ and „A1‟ by Moody‟s Investors Service.

The U of M is exposed to interest rate risk, termination risk (upon default of the other party), and basis risk.

The other three swaps are considered ineffective. At June 30, 2010, their total a fair value was ($20,840,000) and changes in fair value were reported as investment income.

Nonmajor Component Units

The following table presents the cash, cash equivalents, and investments by nonmajor component unit.

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2009, or June 30, 2010, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 3,415	$ 21,907
National Sports Center Foundation	88	-
Office of Higher Education	241,553	-
Public Facilities Authority	139,748	109,851
Rural Finance Authority	25,678	-
Workers‟ Compensation Assigned Risk Plan	11,269	305,540
Total	$ 421,751	$ 437,298

Note 3 – Disaggregation of Receivables

The following are the components of net accounts receivable as reported in the government-wide Statement of Net Assets as of June 30, 2010:

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2010
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds(1)	Total
Taxes:				
Corporate and Individual	$ 671,321	$ -	$ -	$ 671,321
Sales and Use	360,782	-	-	360,782
Property	372,604	-	-	372,604
Health Care Provider	209,730	-	97,068	306,798
Highway Users	-	-	79,784	79,784
Child Support	70,907	78,925	-	149,832
Workers" Compensation	-	-	110,798	110,798
Other	310,698	49,209	66,489	426,396
Net Receivables	$ 1,996,042	$ 128,134	$ 354,139	$ 2,478,315

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	$ -	$ 394,119	$ -	$ 394,119
Tuition and Fees	48,109	-	-	48,109
Other	-	-	26,508	26,508
Net Receivables	$ 48,109	$ 394,119	$ 26,508	$ 468,736
Total Government-wide Net Receivables				$ 2,947,051

(1)Includes $2,507 Internal Service Funds.

Accounts receivable are reported net of allowances for uncollectible amounts. Significant uncollectible amounts are:

- Corporate and Individual Taxes $149,986,000
- Sales and Use Taxes $47,844,000
- Child Support $309,141,000
- Other Receivables $50,976,000

Significant receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $117,816,000
- Sales and Use Taxes $53,919,000
- Child Support $142,668,000
- Health Care Provider $89,374,000
- Other Receivables $17,490,000

Note 4 – Loans and Notes Receivable

The following tables show loans and notes receivable, net of allowances for possible losses, as of June 30, 2010:

Primary Government
Loans and Notes Receivable
As of June 30, 2010
(In Thousands)

	General Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ 32,949
Economic Development	71,333	43,474	-	-
School Districts	111,375	-	-	-
Agricultural, Enviromental and Energy Resources	73,581	932	-	-
Transportation	14,359	2,339	217	-
Other	4,035	-	45	-
Total	$ 274,683	$ 46,745	$ 262	$ 32,949

Component Units
Loans and Notes Receivable
As of June 30, 2010
(In Thousands)

Housing Finance Authority	$ 2,268,115
Metropolitan Council	48,126
University of Minnesota	66,609
Agricultural and Economic Development Board	2,644
Office of Higher Education	733,910
Public Facilities Authority	1,744,034
Rural Finance Authority	57,131
Total	$ 4,920,569

Note 5 – Interfund Transactions

Primary Government

During normal operations, the state processes routine transactions between funds, including loans, expenditures, and transfers of resources for administrative and program services, debt service, and compliance with legal mandates.

In the fund financial statements, these transactions are generally recorded as transfers in/transfers out and interfund receivables/payables. Transfers generally represent legally authorized transfers between funds authorized to receive revenue and funds authorized to make expenditures, and do not represent reimbursement of expenditures.

Primary Government
Interfund Receivables and Payables
As of June 30, 2010
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	70,484
Nonmajor Governmental Funds		106,751
Nonmajor Enterprise Funds		14,132
Internal Service Funds		164
Total Due to General Fund From Other Funds	$	191,531
Due to the Federal Fund From:		
General Fund	$	18,003
Nonmajor Governmental Funds		4,401
Unemployment Insurance Fund		53
Total Due to Federal Fund From Other Funds	$	22,457
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	25,382
Total Due to State Colleges and Universities From Other Funds	$	25,382
Due to the Nonmajor Enterprise Funds From:		
Nonmajor Enterprise Funds	$	2,355
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,355
Due to Fiduciary Funds From:		
Fiduciary Funds	$	8,356
Total Due to Fiduciary Funds From Other Fiduciary Funds	$	8,356
Due to the Nonmajor Governmental Funds From:		
General Fund	$	62,471
Federal Fund		1,235
Unemployment Insurance Fund		25,776
Nonmajor Governmental Funds		130,384
Nonmajor Enterprise Funds		57
Total Due to Nonmajor Governmental Funds From Other Funds	$	219,923

Primary Government
Interfund Transfers
Year Ended June 30, 2010
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	50,255
Nonmajor Governmental Funds		199,862
Nonmajor Enterprise Funds		100,631
Internal Service Funds		27,294
Total Transfers to General Fund From Other Funds	$	378,042
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	68
Nonmajor Governmental Funds		5,169
Total Transfers to Federal Fund From Other Funds	$	5,237
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	614,169
Nonmajor Governmental Funds – Capital Contributions		119,774
Total Transfers to State Colleges and Universities From Other Funds	$	733,943
Transfers to Fiduciary Funds From:		
General Fund	$	9,000
Fiduciary Funds		14,932
Total Transfers to Fiduciary Funds From Other Funds	$	23,932
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	559,237
Federal Fund		6,857
Unemployment Insurance Fund		7,137
Nonmajor Governmental Funds		94,256
Nonmajor Enterprise Funds		89,307
Internal Service Funds		1,304
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	758,098
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:		
General Fund	$	5,338
Federal Fund		636
Government-wide Capital Assets		751
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	$	6,725
Transfers to Government-wide Capital Assets From:		
Internal Service Funds	$	28
Total Transfers to Government-wide Capital Assets	$	28

Component Units

The following table presents receivables and payables as of June 30, 2010, between the primary government and component units:

Primary Government and Component Units
Receivables and Payables
As of June 30, 2010
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 92,818	$ 1,214
University of Minnesota	4,469	40,466
Total Major Component Units	$ 97,287	$ 41,680
Nonmajor Component Units	$ 21,376	$ 102,249
Total Component Units	$ 118,663	$ 143,929

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ 211	$ 28,825
Federal Fund	-	3,362
Total Major Governmental Funds	$ 211	$ 32,187
Nonmajor Governmental Funds	$ 118,250	$ 1,618
Total Primary Government	$ 118,461	$ 33,805 (1)

(1) Due to component units on the Government-wide Statement of Net Assets totals $55,181 and includes $21,376 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by $25,468,000 because Metropolitan Council, Workers" Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The $84,858,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the $21,376,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

The following table shows capital asset activity for the primary government:

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2010
(In Thousands)

	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 2,073,170	$ 114,113	$ (128,649)	$ 2,058,634
Buildings, Structures, Improvements	52,799	11	(24,729)	28,081
Construction in Progress	251,943	103,168	(62,278)	292,833
Development in Progress	-	34,151	-	34,151
Infrastructure	7,323,111	331,676	(19,893)	7,634,894
Easements [1]	112,163	133,412	-	245,575
Art and Historical Treasures	1,989	-	-	1,989
Total Capital Assets not Depreciated	$ 9,815,175	$ 716,531	$ (235,549)	$ 10,296,157
Capital Assets Depreciated:				
Buildings, Structures, Improvements [1]	$ 2,217,019	$ 88,507	$ (58,909)	$ 2,246,617
Infrastructure	92,789	65,111	(8,258)	149,642
Internally Generated Computer	-	3,751	(3)	3,748
Easements	4,028	39	-	4,067
Equipment, Furniture, Fixtures [1]	543,875	50,119	(31,164)	562,830
Total Capital Assets Depreciated	$ 2,857,711	$ 207,527	$ (98,334)	$ 2,966,904
Accumulated Depreciation for:				
Buildings, Structures, Improvements [1]	$ (859,533)	$ (59,405)	$ 25,345	$ (893,593)
Infrastructure	(17,603)	(24,937)	-	(42,540)
Easements [1]	(374)	(95)	-	(469)
Internally Generated Computer	-	(1,658)	-	(1,658)
Equipment, Furniture, Fixtures [1]	(335,391)	(47,276)	40,100	(342,567)
Total Accumulated Depreciation	$ (1,212,901)	$ (133,371)	$ 65,445	$ (1,280,827)
Total Capital Assets Depreciated, Net	$ 1,644,810	$ 74,156	$ (32,889)	$ 1,686,077
Governmental Act. Capital Assets, Net	$ 11,459,985	$ 790,687	$ (268,438)	$ 11,982,234

[1] Prior year amounts have been restated for the change in accounting principle and prior period adjustment.

Art and historical treasures are reported as capital assets that are not depreciated.

Change in accounting principle: During fiscal year 2010, the state implemented GASB Statement No. 51 “Accounting and Financial Reporting for Intangible Assets.” This statement required retroactive reporting of certain intangible assets. As a result, the state"s beginning balances for nondepreciable easements increased by $112,163,000 and depreciable easements increased by $4,028,000 with corresponding accumulated depreciation of $374,000. This resulted in a net change in accounting principle of $115,817,000.

Prior Period Adjustment Governmental Activities: During fiscal year 2010, depreciable buildings cost increased by $74,333,000 with corresponding accumulated depreciation of $41,890,000 and equipment cost increased $126,831,000 with corresponding accumulated depreciation $72,088,000 accumulated depreciation. This was primarily due to additional capital assets identified by the Minnesota Department of Transportation partly as a result of changing capital asset capitalization thresholds from statewide thresholds to agency thresholds in preparation for converting capital assets into the new statewide accounting system, which is currently being developed. This resulted in a net prior period adjustment of $87,186,000. These changes have been reflected as an adjustment to beginning balances.

Capital outlay expenditures in the governmental funds totaled $643,736,000 for fiscal year 2010. Donations of general capital assets received during fiscal year 2010 were valued at $1,167,000. Transfers of $262,246,000 were primarily from construction in progress for completed projects, equipment relating to internally generated computer software, and land relating to easements. Permanent School Fund additions were $1,000. The internal service funds additions were $16,908,000, which included both assets purchased and transfers between asset categories for internally generated computer software. Accumulated depreciation related to the transfers is also included as an addition to the accumulated depreciation.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2010, consisted of equipment with a cost of $11,989,000 and buildings with a cost of $180,005,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2010
(In Thousands)

	Beginning	Additions	Deductions	Ending
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 81,879	$ 3,255	$ -	$ 85,134
Construction in Progress	154,867	192,236	(180,659)	166,444
Total Capital Assets not Depreciated	$ 236,746	$ 195,491	$ (180,659)	$ 251,578
Capital Assets Depreciated:				
Buildings, Structures, Improvements [(1)]	$ 2,335,301	$ 197,881	$ (430)	$ 2,532,752
Library Collections	48,526	6,354	(6,802)	48,078
Internally Generated Computer	-	13,932	(4)	13,928
Equipment, Furniture, Fixtures	288,907	13,259	(35,995)	266,171
Total Capital Assets Depreciated	$ 2,672,734	$ 231,426	$ (43,231)	$ 2,860,929
Accumulated Depreciation for:				
Buildings, Structures, Improvements [(1)]	$ (1,035,843)	$ (70,528)	$ 266	$ (1,106,105)
Library Collections	(27,771)	(6,868)	6,802	(27,837)
Internally Generated Computer	-	(6,141)	4	(6,137)
Equipment, Furniture, Fixtures	(206,424)	(18,863)	29,139	(196,148)
Total Accumulated Depreciation	$ (1,270,038)	$ (102,400)	$ 36,211	$ (1,336,227)
Total Capital Assets Depreciated, Net	$ 1,402,696	$ 129,026	$ (7,020)	$ 1,524,702
Business-type Act. Capital Assets, Net	$ 1,639,442	$ 324,517	$ (187,679)	$ 1,776,280
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,737	$ 26	$ -	$ 29,763
Equipment, Furniture, Fixtures	5,512	1,275	(589)	6,198
Total Capital Assets Depreciated	$ 35,249	$ 1,301	$ (589)	$ 35,961
Accumulated Depreciation for:				
Buildings	$ (5,922)	$ (760)	$ -	$ (6,682)
Equipment, Furniture, Fixtures	(4,331)	(338)	585	(4,084)
Total Accumulated Depreciation	$ (10,253)	$ (1,098)	$ 585	$ (10,766)
Total Capital Assets Depreciated, Net	$ 24,996	$ 203	$ (4)	$ 25,195
Fiduciary Funds, Capital Assets, Net	$ 25,425	$ 203	$ (4)	$ 25,624

[(1)] Prior year amounts have been restated for the prior period adjustment.

Prior Period Adjustment Business-type Activities: During fiscal year 2010, building cost in the 911 Services Fund (enterprise fund) increased by $49,215,000, net of $5,656,000 accumulated depreciation, as a result of recording towers owned by the Minnesota Department of Transportation. This resulted in a net prior period adjustment of $43,559,000. These changes have been reflected as an adjustment to beginning balances.

Internally generated computer software and corresponding accumulated depreciation transferred from equipment during the fiscal year ended June 30, 2010.

Depreciation expense was charged to functions/programs of the primary government as follows:

Primary Government
Depreciation Expense
Year Ended June 30, 2010
(In Thousands)

Governmental Activities:		
Public Safety and Corrections	$	19,976
Transportation		29,130
Agricultural, Environmental & Energy Resources		9,733
Economic and Workforce Development		1,569
General Education		4,684
Higher Education		7
Health and Human Services		14,592
General Government		20,774
Internal Service Funds		10,256
Total Governmental Activities	$	110,721
Business-type Activities:		
State Colleges and Universities	$	88,440
Lottery		740
Other		9,344
Total Business-type Activities	$	98,524

Authorizations and commitments as of June 30, 2010, for the largest construction in progress projects consisted of the following:

Primary Government
Project Authorizations and Commitments
As of June 30, 2010
(In Thousands)

	Administration		Transportation	
Authorization	$	132,344	$	874,956
Expended through June 30, 2010		84,904		516,087
Unexpended Commitment		2,722		290,209
Available Authorization	$	44,718	$	68,660

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. These acres totaled 2,520,972 on June 30, 2010.

Component Units

Component unit capital assets consisted of the following as of December 31, 2009, or June 30, 2010, as applicable:

Component Units
Capital Assets
As of December 31, 2009 or June 30, 2010, as applicable
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ -	$ 102,294	$ 85,218	$ 779	$ 188,291
Construction in Progress	-	178,669	140,347	-	319,016
Museums and Collections	-	-	47,572	-	47,572
Permanent Easement	-	-	2	-	2
Buildings and Improvements	-	3,126,013	3,064,218	2,407	6,192,638
Equipment	7,950	722,340	785,236	1,872	1,517,398
Capitalized Software	-	-	93,029	-	93,029
Other Intangible Assets	-	-	7,586	-	7,586
Infrastructure	-	-	407,299	-	407,299
Total	$ 7,950	$ 4,129,316	$ 4,630,507	$ 5,058	$ 8,772,831
Less: Accumulated Depreciation	$ 6,319	$ 1,480,947	$ 2,098,644	$ 2,381	$ 3,588,291
Net Total	$ 1,631	$ 2,648,369	$ 2,531,863 [1]	$ 2,677	$ 5,184,540

[1] In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of $33,026 as of June 30, 2010.

Note 7 – Disaggregation of Payables

The following are the components of accounts payable as reported in the government-wide Statement of Net Assets as of June 30, 2010:

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2010
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 1,754,067	$ 540,424	$ 248	$ 2,294,739
Tax Refunds	696,223	-	-	696,223
Medical Care Programs	332,249	668,824	96,111	1,097,184
Grants	166,276	160,743	125,228	452,247
Salaries and Benefits	83,785	20,766	57,406	161,957
Vendors/Service Providers	57,748	55,377	172,729	285,854
Other	52,287	4,265	8,860	65,412
Net Payables	$ 3,142,635	$ 1,450,399	$ 460,582	$ 5,053,616

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 122,922	$ -	$ 7,208	$ 130,130
Vendors/Service Providers	47,950	-	5,174	$ 53,124
Other	7,564	65,955	18,666	$ 92,185
Net Payables	$ 178,436	$ 65,955	$ 31,048	$ 275,439
Total Government-wide Net Payables				$ 5,329,055

[1]Includes $56,147 Internal Service Funds.

Note 8 – Pension and Investment Trust Funds

The state performs a fiduciary role for several pension trust funds. For some of these funds, the state contributes as an employer, and performs only a fiduciary role for other funds. These trust funds are categorized as either defined benefit or defined contribution (pension trust funds) or investment trust funds.

Three plan administrators, who prepare and publish their own stand-alone comprehensive annual financial reports, including financial statements and required supplementary information, and Minnesota State Colleges and Universities (MnSCU), which publishes a stand-alone pension statement, provide the pension fund information. Each plan administrator accounts for one or more pension plans. Copies of these reports may be obtained directly from the organizations listed below.

See Note 1 – Summary of Significant Accounting and Reporting Policies for addresses of MSRS, PERA and TRA. The address for MnSCU is included in the "Defined contribution Funds" section of this note.

Plan Administrator	Plans Covered
Minnesota State Retirement System (MSRS)	State Employees Retirement Fund
	Correctional Employees Retirement Fund
	Elective State Officers Fund
	Judicial Retirement Fund
	Legislative Retirement Fund
	State Patrol Retirement Fund
	Unclassified Employees Retirement Fund
	Postretirement Health Care Benefits Fund
	State Deferred Compensation Fund
	Hennepin County Supplemental Retirement Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund
	Minneapolis Employees Retirement Fund
	Police and Fire Fund
	Public Employees Correctional Fund
	Volunteer Firefighter Retirement Fund
	Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

Basis of Accounting and Valuation of Investments

The four plan administrators prepare financial statements using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which they are earned and become measurable. Expenses are recognized when the liability is incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Except as described below, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported trade price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing “units” in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund‟s pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2010, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple employer, cost-sharing plans:

  The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Twenty-seven employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of a member‟s average salary, which is defined as the average salary of the five highest paid successive years of service. Annual benefits increase by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

  The Police and Fire Fund (P&FF) covers persons employed as police officers and firefighters by local governmental units and subdivisions. Approximately 500 employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Annual benefits increase by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

  The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. Annual benefits increase Annual benefits increase by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

  The Public Employees Retirement Fund (PERF) covers employees of various governmental units and subdivisions, including counties, cities, school districts, and related organizations. Approximately 2,000 employers participate in this plan. There are two types of membership: „basic‟ for members not covered by the Social Security Act (closed to new members since 1968) and „coordinated‟ for members who are covered by the act. Normal retirement age is 65. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Annual benefits increase by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

The Minneapolis Employees Retirement Fund (MERF) participating employers primarily include the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. MERF was closed to new members as of July 1, 1978. MERF was reported as a component of the Investment Trust Fund (investment trust fund) as of June 30 2009, but legislation was passed to transfer the administration of the fund to PERA. The Actuarial Accrued Liability is 56% funded according to the latest actuarial evaluation. The normal retirement age is 60. The annuity formula for participants is 2.0 percent for each of the first 10 years of service and 2.5 percent each year thereafter of average salary. Annual benefits increase by at least 1 percent or 2.5 percent if the plan is funded at least 90% of full funding. The plan was closed to new entrants June 30, 1978. The state is funding a portion of the unfunded actuarial liability, which is set in the state"s biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Approximately 575 employers participate in this plan. Normal retirement is age 65. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the Act. The annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.5 percent, and for coordinated members, 1.2 and 1.7 percent for service rendered before July 1, 2006, and 1.9 percent for service rendered on or after July 1, 2006. Annual benefits increases will not occur until January 1, 2013, when they will be at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- Multiple employer, agent plan:

  The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid. Members do not contribute to the plan. Employer contributions are determined annually. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from 20 possible levels ranging from $500 per year of service to $7,500 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single employer (state of Minnesota) plans:

  The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service. Annual benefits increase by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

  The Elective State Officers Fund (ESOF) covers state constitutional officers elected prior to July 1, 1997. The ESOF is excluded from the single employers plan disclosures since the remaining active employees have retired, terminated, or elected coverage under another plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C.

  The Judicial Retirement Fund (JRF) covers judges of the Supreme Court, district courts, county courts, probate courts, and various court referees. Normal retirement age is 65. The annuity is 2.7 percent of average salary for each year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.80 percent. Annual benefits increase by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

The Legislative Retirement Fund (LRF) covers some members of the state's House of Representatives and Senate. Legislators newly elected since January 1997 are covered by the Unclassified Employee Retirement Fund (defined contribution fund). Normal retirement age is 62. The annuity ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on length of service. Annual benefits increase by at least 2 percent or 2.5 percent if the plan is funded at least 90% of full funding.

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. Normal retirement age is 55. The annuity is 3.0 percent of average salary for each year of service. Annual benefits increase by at least 1.5 percent or 2.5 percent if the plan is funded at least 90% of full funding.

Statutory Contribution Rates
Year Ended June 30, 2010

	Single Employer					Multiple Employer	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352	352C	490	3A	352B	352	354
Required Contribution Rate of							
Active Members	7.70%	N/A	8.00%	9.00%	10.40%	4.75%	5.50%
Employer(s)	11.10%	N/A	20.50%	N/A	15.60%	4.75%	5.50%

Multiple Employer Plan
Required Contributions
(In Thousands)

		SERF	TRF
Required Contributions:			
Employee	2010	$ 113,716	$ 214,909
	2009	$ 108,866	$ 212,043
	2008	$ 99,280	$ 209,592
Employer[1]	2010	$ 115,181	$ 220,538
	2009	$ 107,211	$ 220,268
	2008	$ 96,746	$ 209,717

[1]Contributions were at least 100 percent of required contributions.

Contribution rates are statutorily determined.

Single Employer Plan Disclosures
As of June 30, 2010
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 47,825	$ 12,335	$ 7,752	$ 24,136
Interest on Net Pension Obligation (NPO)[1]	3,983	(678)	(442)	(2,078)
Amortization Adjustment to ARC[1]	(2,720)	489	682	1,478
Annual Pension Cost (APC)	$ 49,088	$ 12,146	$ 7,992	$ 23,536
Contributions	(37,255)	(11,271)	(2,146)	(16,830)
Increase (Decrease) in NPO	$ 11,833	$ 875	$ 5,846	$ 6,706
NPO, Beginning Balance	$ 46,856	$ (8,732)	$ (5,204)	$ (24,451)
NPO, Ending (Asset)	$ 58,689	$ (7,857)	$ 642	$ (17,745)

[1]Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2010	$ 49,088	$ 12,146	$ 7,992	$ 23,536
	2009	$ 46,729	$ 9,999	$ 4,900	$ 20,454
	2008	$ 45,815	$ 11,769	$ 3,475	$ 16,799
Percentage of APC Contributed	2010	76%	99%	27%	72%
	2009	73%	112%	31%	75%
	2008	69%	92%	69%	83%
Net Pension Obligation (NPO) (End of Year)	2010	$ 58,689	$ (7,857)	$ 642	$ (17,745)
	2009	$ 46,856	$ (8,732)	$ (5,204)	$ (24,451)
	2008	$ 34,285	$ (7,535)	$ (8,587)	$ (29,511)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actual Valuation Date[1]	7/1/2009	7/1/2009	7/1/2009	7/1/2009
Actuarial Value of Plan Assets	$ 590,339	$ 147,120	$ 28,663	$ 584,501
Actuarial Accrued Liability	$ 821,250	$ 241,815	$ 90,431	$ 725,334
Total Unfunded Actuarial Liability	$ 230,911	$ 94,695	$ 61,768	$ 140,833
Funded Ratio	72%	61%	32%	81%
Annual Covered Payroll	$ 193,445	$ 39,444	$ 1,963	$ 61,511
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	119%	240%	3147%	229%

[1] The July 1, 2009, Annual Valuation Report is the most recently issued report available.

Required Supplementary Information - Schedule of Funding Progress immediately following the notes presents multiyear trend information.

Actuarial Assumptions for Single Employer Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2009.

- The calculation of the actuarial valuation of assets is a market value based formula based on the Unrecognized Asset Return (UAR is actual net return on market value minus net return based on actuarial assumption). The actuarial value of assets is the Market Value of Assets as of June 30, 2009, less: 80 percent UAR for fiscal year 2009; 60 percent UAR for fiscal year 2008; 40 percent UAR for fiscal year 2007; and 20 percent UAR for fiscal year 2006.

- Expected net investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively.

- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.0 percent postretirement investment return assumption that is 2.5 percent less than the pre-retirement investment return assumption. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent postretirement discount rate is used to account for the one-time adjustment applicable at retirement.

- The amortization method uses level percentage of projected payroll growth, except for the ESOF plan, which uses the level dollar amortization method.

- Projected payroll growth is a level 4.5 percent except for JRF which is a level 4.0 percent.

- The statutory amortization periods for CERF, ESORF, JRF, LRF, and SPRF are through July 1, of 2038, 2017, 2038, 2021, and 2036, respectively.

- The amortization periods are closed.

Defined Contribution Funds

The defined contribution funds presented in the financial statements include various statewide public employee retirement funds. The benefits received are limited to an annuity, which can be purchased with the combined contributions of both the employee and employer or solely with employee contributions, depending on the fund. Accordingly, there is no unfunded liability for these funds; therefore, there is no actuarial accrued benefit liability or actuarially required contribution.

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee‟s salary. As of June 30, 2009, there were 2,054 members in the plan for Hennepin County.

The Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a postretirement health care savings plan or plans, by which public employers and employees may save to cover postretirement health care costs. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following retirement from public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant‟s account are exhausted. As of June 30, 2009, there were 58,050 members in the plan for 215 employers.

The Unclassified Employee Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state and specified employees of various statutorily designated entities. Statutory contribution rates are 4.75 percent for employee and 6.00 percent for employer. Vesting occurs immediately, and normal retirement age is 55. Annuity is based on age and value of the participant's account. As of June 30, 2009, there were 3,261 members in the plan from 12 employers.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses. There is no vesting period required to receive benefits from this plan. As of June 30, 2009, there were 7,182 members in the plan from approximately 1,000 units of government.

The State Colleges and Universities Retirement Fund (CURF), authorized by Minnesota Statutes, Chapter 354B and Chapter 354C, covers unclassified teachers, librarians, administrators, and certain other staff members who have been employed full-time by Minnesota State Colleges and Universities for a minimum of two academic years. Participation is mandatory for qualified employees. This fund consists of an Individual Retirement Account Plan (IRAP) and a Supplemental Retirement Plan (SRP). Two member groups, faculty and managerial employees, participate in the IRAP. The employer and employee statutory contribution rates are 6.0 and 4.5 percent, respectively. For the SRP, the statutorily required contribution rate is 5.0 percent of salary between $6,000 and $15,000. Statutes allow additional employer and employee contributions under specific circumstances. Vesting occurs immediately, and normal retirement is age 55. Total current membership in the plan is approximately 11,700.

Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) is the administrative agent for the State Colleges and Universities Retirement Fund. Separately issued financial statements can be obtained from TIAA-CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Defined Contribution Plans
Contributions
Year Ended June 30, 2010
(In Thousands)

	HCSRF	PHCBF	UERF	DCF	CURF
Employee Contributions	$ 514	$ 90,445	$ 4,472	$ 1,480	$ 34,047
Employer Contributions	$ 515	N/A	$ 6,333	$ 1,582	$ 40,341

The Minnesota State Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457 of the Internal Revenue Code and Minnesota Statutes, Section 352.96. The plan is composed of employee pre-tax contributions. Employers do not contribute to this plan. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The plan has 87,003 participants from approximately 500 employers.

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants. As of July 1, 2009, the investments of the Minneapolis Employees Retirement Plan were transferred from the Investment Trust Fund (investment trust fund) to MERF defined benefit plan under the administration of PERA. Additional information on the transfer is located in Note 1 – Summary of Significant Accounting and Reporting Policies.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement funds (UERF):

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota
- Agricultural and Economic Development Board
- Office of Higher Education
- Public Facilities Authority
- Rural Finance Authority

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

Early termination benefits are defined as benefits received for discontinuing services earlier than planned. A liability and expense for voluntary termination benefits are recognized when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits are recognized when a plan of termination has been approved, the plan has been communicated to the employees, and the amount can be estimated.

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation. In addition, Minnesota Statutes, Section 136F.481, authorized MnSCU to implement an early separation incentive program in fiscal year 2010. Approximately 250 former faculty members and staff currently receive this benefit. The cost of the benefits was $4,330,000 during fiscal year ended June 30, 2010, with a remaining liability as of June 30, 2010, of $6,819,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes, Section 43A.27, Subdivision 3 and Section 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age 65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state‟s health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100% of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2008, there were approximately 2,400 retirees participating in the state‟s insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer‟s premium contribution rate is frozen at the date of the employee‟s retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee‟s premium rate each year until the retiree is age 65. Coverage ends at the retiree‟s attainment of age of 65. As of July 1, 2008, there were approximately 950 correctional and law enforcement retirees receiving an explicit rate subsidy. The state does not issue a separate financial report for its OPEB plan.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2010, the state contributed $33.1 million to the plan. Plan members receiving benefits through the implicit rate subsidy contributed $17.1 million through their average required contribution of $447 per month for retiree-only coverage and $1,315 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state‟s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75% discount rate. For year ending June 30, 2010, the state‟s ARC is $75,483,000.

The following table shows the components of the state‟s annual OPEB cost, the amount contributed to the plan, and the changes to the state‟s net OPEB obligation:

OPEB Disclosures
As of June 30, 2010
(In Thousands)

Annual Required Contributions (ARC)[1]	$ 75,483
Interest on Net OPEB Obligation (NOO)[1]	4,058
Amortization Adjustment to ARC[1]	(3,229)
Annual OPEB Cost (Expense)	$ 76,312
Contributions	(33,096)
Increase in NOO	$ 43,216
NOO, Beginning Balance	$ 83,363
NOO, Ending[2]	$ 126,579

[1]Components of annual OPEB cost.

[2]Governmental Activities and Business-type Activities include $110,950 and $15,482, respectively. Remaining amounts are included in Fiduciary Funds.

The state‟s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2009, and 2008 are as follows:

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 76,312	43%	$ 126,579
June 30, 2009	$ 73,706	38%	$ 83,363
June 30, 2008	$ 66,282	43%	$ 37,658

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $755 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was $2.8 billion, and the ratio of the UAAL to the covered payroll was 27 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes is based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2008.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Projected salary increases are a level 4.0 percent.
- The annual health care cost trend rate is 8.41 percent initially, reduced by increments to an ultimate rate of 5.0 percent after approximately 20 years. The annual dental cost trend rate is 5.0 percent.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

See Note 12 – Long-Term Liabilities – Primary Government for the related liability amount accrued at the government-wide level.

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested $70.8 million as of December 31, 2009, for this purpose. The annual required contribution for 2009 was $29.8 million or 11.3 percent of annual covered payroll. As of December 31, 2009, 2008 and 2007, the net OPEB obligation was $44.4 million, $29.6 million and $14.5 million respectively. The actuarial accrued liability (AAL) for benefits was $311.9 million as of December 31, 2009, all of which was unfunded. The covered payroll was $263.1 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 118.5 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2010, was $19.7 million or 1.7 percent of annual covered payroll. As of June 30, 2010, the net OPEB obligation was $33.5 million. The actuarial accrued liability (AAL) for benefits was $88.9 million as of June 30, 2010, all of which was unfunded. The covered payroll was $1.2 billion, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.5 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds‟ encumbrances, both current and long-term, as of June 30, 2010, were as follows:

Primary Government
Encumbrances
As of June 30, 2010
(In Thousands)

	General Fund	Other Funds	Total
Restricted for:			
Arts and Cultural Heritage	$ -	$ 2,899	$ 2,899
Public Safety	-	1,723	1,723
Transportation	-	572,369	572,369
Environmental	12,233	79,723	91,956
Economic and Workforce Development	16,831	10,238	27,069
Health and Human Services	-	2,140	2,140
General Education	-	332	332
General Government	-	1,653	1,653
Capital Projects	-	825,462	825,462
Committed to:			
Public Safety	-	1,005	1,005
Transportation	-	5	5
Environmental	-	6,430	6,430
Economic and Workforce Development	-	2,175	2,175
Health and Human Services	-	2,828	2,828
General Education	-	32	32
General Government	-	133	133
Assigned to:			
Public Safety	15,363	-	15,363
Transportation	4,655	-	4,655
Environmental	25,037	-	25,037
Economic and Workforce Development	18,098	-	18,098
Health and Human Services	32,971	-	32,971
General Education	3,021	-	3,021
Higher Education	1,359	-	1,359
General Government	4,307	-	4,307
Intergovernment Aid	10,215	-	10,215
Capital Projects	-	1,715	1,715
Total Primary Government	$ 144,090	$ 1,510,862	$ 1,654,952

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of October 2010, the Petrofund has reimbursed eligible applicants approximately $406,000,000 since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2012, are between $425,000,000 and $465,000,000 for investigative and cleanup costs.

Environmental and Remediation Fund

The Remediation Account was established in the state treasury as part of the Environmental and Remediation Fund (special revenue fund) to provide a reliable source of public money for response and corrective actions to address releases of hazardous substances, pollutants, contaminants, agricultural chemicals, and petroleum, and for environmental response actions at qualified closed landfills for which the state has assumed responsibility. Money in the general portion of the fund may be spent for actions related to releases of hazardous substances, pollutants, or containments and to provide technical and other assistance. Additionally, funds may be spent for corrective actions to address incidents involving agricultural chemicals, including related administrative, enforcement, and cost recovery actions.

In addition to the general portion of the fund, two dedicated accounts are held within the fund. The first account is the dry cleaner environmental response and reimbursement account. Money in the account may be used for environmental response actions at dry cleaning facilities and sites as well as related administrative costs. The second account, the metropolitan landfill contingency action trust account, consists of revenue deposited from twenty-five percent of the metropolitan solid waste landfill fee. Money in the account is appropriated for closure and post closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30 year period after closure if it is determined that the operator/owner will not take the necessary actions as directed by the Pollution Control Agency.

The Closed Landfill Investment Account consists of money credited to the fund plus interest and other earnings. Money in the fund may be spent only after fiscal year 2020 on environmental response actions at qualified closed mixed municipal solid waste disposal facilities.

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $124,138,000 for construction and renovation of college and university facilities.

Component Units

As of June 30, 2010, the Housing Finance Agency (HFA) had committed approximately $417,000,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council enters into contracts for various purposes such as transit services and construction projects. As of December 31, 2009, unpaid commitments for Metro Transit Bus services were approximately $127,000,000. Future commitments for Metro Transit Light Rail were approximately $19,600,000, while future commitments for Metro Transit Commuter Rail were approximately $13,500,000. Finally, future commitments for Regional Transit and Environmental Services were approximately $97,700,000 and $107,900,000, respectively.

University of Minnesota (U of M) has construction projects in progress with an estimated completion cost of $190,000,000. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2010, Public Facilities Authority (PFA) had committed approximately $314,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $24,000,000 for grants.

Note 11 – Operating Lease Agreements

Operating Leases

The state and its component units are committed under various leases primarily for building and office space. For accounting purposes, these leases are considered to be operating leases.

Lease expenditures for the fiscal year ended June 30, 2010, totaled approximately $84,985,031 and $20,499,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2009, totaled approximately $612,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2011	$ 79,339	2011	$ 13,265	2010	$ 1,194
2012	71,199	2012	14,852	2011	1,045
2013	61,916	2013	10,843	2012	817
2014	46,449	2014	8,167	2013	790
2015	34,752	2015	3,665	2014	446
2016-2020	58,013	2016-2020	13,203	2015-2019	322
2021-2025	8,246	2021-2025	2,830	2020-2024	143
2026-2030	5,265	2026-2030	-	2025-2029	143
2031-2035	86	2031-2035	-	2030-2034	143
2036-2040	-	2036-2040	-	2035-2039	90
Total	$ 365,265	Total	$ 66,825	Total	$ 5,133

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2010, and the changes during fiscal year 2010:

Primary Government
Long-Term Liabilities
Year Ended June 30, 2010
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 4,667,902	$ 1,258,113	$ 822,805	$ 5,103,210	$ 402,265
Loans	53,658	8,449	20,788	41,319	13,954
Revenue Bonds	13,715	-	815	12,900	845
Claims	764,977	75,167	96,434	743,710	88,090
Pollution Remediation	38,641	21,326	8,840	51,127	20,476
Compensated Absences	287,463	244,476	237,652	294,287	30,894
Workers" Compensation	95,172	28,262	18,177	105,257	16,813
Certificates of Participation	-	82,391	1,742	80,649	500
Capital Leases	161,629	3,356	6,810	158,175	6,984
Net Pension Obligation	46,856	49,088	37,255	58,689	-
Net Other Postemployment Obligation	72,114	66,356	27,520	110,950	-
Due to Component Unit	19,465	5,729	3,818	21,376	2,785
Total	$ 6,221,592	$ 1,842,713	$ 1,282,656	$ 6,781,649	$ 583,606
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 241,946	$ 26,686	$ 18,279	$ 250,353	$ 17,790
Loans	5,582	1,144,457	547,019	603,020	827
Revenue Bonds	278,246	66,277	23,744	320,779	19,920
Compensated Absences	144,113	29,399	28,537	144,975	14,496
Workers" Compensation	5,164	4,051	2,697	6,518	2,739
Capital Leases	20,324	892	2,554	18,662	1,757
Net Other Postemployment Obligation	11,249	9,701	5,468	15,482	-
Total	$ 706,624	$ 1,281,463	$ 628,298	$ 1,359,789	$ 57,529

The following table shows the resources to repay the various long-term liabilities of the primary government that have been, or will be, provided from the fund types as follows:

Primary Government
Resources for Repayment of Long-Term Liabilities
(In Thousands)

	Governmental Activities				
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
Liabilities For:					
General Obligation Bonds	$ 4,450,285	$ 652,925	$ -	$ 250,353	$ 5,353,563
Loans	-	23,982	17,337	603,020	644,339
Revenue Bonds	-	12,900	-	320,779	333,679
Claims	16,469	727,241	-	-	743,710
Pollution Remediation	-	51,127	-	-	51,127
Compensated Absences	119,566	168,589	6,132	144,975	439,262
Workers" Compensation	84,914	20,343	-	6,518	111,775
Certificates of Participation	80,649	-	-	-	80,649
Capital Leases	154,619	3,556	-	18,662	176,837
Net Pension Obligation	58,689	-	-	-	58,689
Net Other Postemployment Benefit Obligation	110,404	-	546	15,482	126,432
Due to Component Unit	-	21,376	-	-	21,376
Total	$ 5,075,595	$ 1,682,039	$ 24,015	$ 1,359,789	$ 8,141,438

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for pollution remediation, claims, compensated absences, workers" compensation, net pension obligation, and net other postemployment benefit obligation.

Primary Government
General Obligation Bonds
Principal and Interest Payments
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 402,265	$ 217,895	$ 17,790	$ 11,267	$ 420,055	$ 229,162
2012	394,828	199,191	17,817	10,424	412,645	209,615
2013	403,206	180,317	17,009	9,578	420,215	189,895
2014	371,923	161,487	16,927	8,749	388,850	170,236
2015	361,648	144,030	16,512	7,927	378,160	151,957
2016-2020	1,435,708	495,812	74,402	28,113	1,510,110	523,925
2021-2025	964,838	202,530	55,752	11,766	1,020,590	214,296
2026-2030	388,088	33,448	23,162	1,897	411,250	35,345
Total	$ 4,722,504	$ 1,634,710	$ 239,371	$ 89,721	$ 4,961,875	$ 1,724,431
Bond Premium	380,706	-	10,982	-	391,688	-
Total	$ 5,103,210	$ 1,634,710	$ 250,353	$ 89,721	$ 5,353,563	$ 1,724,431

Primary Government
Revenue Bonds
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2011	$ 845	$ 546	$ 19,920	$ 14,179	$ 20,765	$ 14,725
2012	880	511	16,135	13,458	17,015	13,969
2013	915	475	17,200	12,833	18,115	13,308
2014	955	438	17,825	12,068	18,780	12,506
2015	995	396	18,570	11,269	19,565	11,665
2016-2020	5,670	1,254	94,050	43,065	99,720	44,319
2021-2025	2,640	120	83,645	21,434	86,285	21,554
2026-2030	-	-	38,895	5,549	38,895	5,549
2031-2035	-	-	6,393	501	6,393	501
Total	$ 12,900	$ 3,740	$ 312,633	$ 134,356	$ 325,533	$ 138,096
Bond Premium	-	-	8,146	-	8,146	-
Total	$ 12,900	$ 3,740	$ 320,779	$ 134,356	$ 333,679	$ 138,096

Primary Government
Loans Payable and Due to Component Unit
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities [(1)] Principal	Business-type Activities [(1)] Interest	Total Principal	Total Interest
2011	$ 16,739	$ 2,906	$ 827	$ 205	17,566	3,111
2012	14,312	768	576	161	14,888	929
2013	8,826	580	454	125	9,280	705
2014	10,757	441	404	99	11,161	540
2015	2,335	344	323	83	2,658	427
2016-2020	6,076	874	1,214	226	7,290	1,100
2021-2025	2,119	392	429	29	2,548	421
2026-2030	1,531	111	-	-	1,531	111
Total	$ 62,695	$ 6,416	$ 4,227	$ 928	$ 66,922	$ 7,344

[(1)] Loan to the Unemployment Insurance Enterprise Fund of $598,793 is not included.

Primary Government
Capital Leases
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2011	$ 6,984	$ 7,807	$ 1,757	$ 944	$ 8,741	$ 8,751
2012	6,840	7,536	1,697	916	8,537	8,452
2013	7,029	7,240	1,349	795	8,378	8,035
2014	7,313	6,930	1,386	734	8,699	7,664
2015	7,147	6,582	1,320	664	8,467	7,246
2016-2020	41,321	26,994	6,670	2,365	47,991	29,359
2021-2025	51,766	15,450	3,043	781	54,809	16,231
2026-2030	29,775	2,571	1,079	246	30,854	2,817
2031-2035	-	-	361	14	361	14
Total	$ 158,175	$ 81,110	$ 18,662	$ 7,459	$ 176,837	$ 88,569

Primary Government
Certificates of Participation
Principal and Interest Payments
(In Thousands)

Year Ended June 30	Governmental Activites Principal	Governmental Activites Interest
2011	$ 500	$ 3,311
2012	7,925	3,291
2013	8,245	2,974
2014	8,575	2,644
2015	8,920	2,301
2016 - 2020	39,815	5,049
Total	$ 73,980	$ 19,570
Premium on Certificates of Participation	6,669	-
Total	$ 80,649	$ 19,570

Debt Service Fund

Minnesota Statutes, Section 16A.641, provides for an annual appropriation for transfer to the Debt Service Fund. The amount of the appropriation is to be such that, when combined with the balance on hand in the Debt Service Fund on December 1 of each year for state bonds, it will be sufficient to pay all general obligation bond principal and interest due and to become due through July 1 in the second ensuing year. If the amount appropriated is insufficient when combined with the balance on hand in the Debt Service Fund, the state constitution requires the state auditor to levy a statewide property tax to cover the deficiency. No such property tax has been levied since 1969 when the law requiring the appropriation was enacted.

During fiscal year 2010, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2010
(In Thousands)

General Fund	$	435,434
Special Revenue Funds:		
Trunk Highway Fund	$	70,542
Natural Resources Fund		9
Miscellaneous Special Revenue Fund		318
Total Special Revenue Funds	$	70,869
Capital Projects Funds:		
Building Fund	$	2,831
Transportation		204
Total Capital Project Funds	$	3,035
Total Transfers to Debt Service Fund	$	509,338

General Obligation Bond Issues

On August 26, 2009, the state issued $598,385,000 general obligation bonds, Series 2009D through Series 2009G:

- Series 2009D for $192,275,000 in state various purpose bonds and Series 2009E for $80,000,000 state trunk highway bonds were issued at true interest rates of 3.40 percent and 3.41 percent, respectively.

- Series 2009F for $297,750,000 in state various purpose refunding bonds were issued at a true interest rate of 2.53 percent. Proceeds were used for a current refunding of $27,475,000 general obligation bonds and to advance refund $262,250,000 general obligation bonds. The state decreased its debt service cash flows by $14,405,000 and realized net present value savings and economic gain of $27,343,000.

- Series 2009G for $28,360,000 in state trunk highway refunding bonds were issued at a true interest rate of 2.52 percent. Proceeds were used to advance refund $27,500,000 general obligation bonds. The state decreased its debt service cash flows by $2,809,000 and realized net present value savings and an economic gain of $2,712,000.

On October 22, 2009, the state issued $575,395,000 general obligation bonds, Series 2009H through Series 2009K:

- Series 2009H for $443,000,000 in state various purpose bonds and Series 2009I for $25,000,000 state trunk highway bonds were issued at a true interest rate of 3.24 percent and 3.35 percent, respectively.

- Series 2009J for $7,000,000 in taxable state bonds were issued at a true interest rate of 3.02 percent.

- Series 2009K for $100,395,000 in state various purpose refunding bonds were issued at a true interest rate of 3.29 percent to advance refund $92,225,000 general obligation bonds. The state increased its debt service cash flows by $7,248,000, but realized a net present value savings and economic gain of $4,567,000.

The state remains contingently liable to pay its advance refunded general obligation bonds as shown in the following table.

Primary Government
General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2010 Outstanding Amount	Refunded Bond Call Date
August 26, 2009	$ 140,580	$ 136,750	$ 136,750	November 1, 2010
August 26, 2009	157,285	153,000	153,000	October 1, 2011
October 23, 2009	100,395	92,225	92,225	November 1, 2012
	$ 398,260	$ 381,975	$ 381,975	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2010. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2010
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 698	$ 65,300	5.00 - 5.62
State Operated Community Services	-	2,353	5.00
State Transportation	22,560	194,133	5.00 - 5.62
Waste Management	-	145	5.00 - 5.50
Water Pollution Control	-	4,975	5.00 - 5.62
Maximum Effort School Loan	-	65,770	5.00 - 5.25
Rural Finance Authority	23,500	66,500	5.00 - 5.60
Refunding Bonds	-	1,058,355	4.00 - 5.00
Municipal Energy Building	-	75	5.00
Trunk Highway	1,771,838	652,925	3.25 - 5.25
Various Purpose	1,643,920	2,851,344	5.00 - 5.62
Total	$ 3,462,516	$ 4,961,875	

Certificates of Participation

On August 18, 2009, the state issued $74,980,000 of certificates of participation (C.O.P.s) at a true interest rate of 2.88 percent to finance the acquisition of computer software development intangible assets. The proceeds are funding the development of the statewide financial and procurement system and the state's integrated tax accounting system. The C.O.P.s were issued under a trust agreement with U.S. Bank, NA., trustee, who will collect rental payments according to the principal and interest schedule pursuant to the Technology Systems Lease Purchase Agreement for remittance to the investors. The C.O.P.s are not general or moral obligations of the state and no revenues are pledged to repay them. If the state defaults on the debt, the trustee has the right to terminate the lease terms of either or both projects and take whatever action at law which may appear necessary to collect rental payment(s).

Capital Leases

In 2006, the state entered into capital lease agreements with St. Paul Port Authority (SPPA - not part of the state"s reporting entity) to purchase two newly constructed buildings on state owned land for $180,005,000. Lease payments are scheduled over 20 years and approximate the debt service payments of SPPA. The state has other capital lease agreements to purchase equipment. The leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement of Financial Accounting Standards No. 13 “Accounting for Leases” which defines a capital lease generally as one that transfers benefits and risk of ownership to the lessee. The terms of each agreement provide options to purchase the buildings under a bargain purchase option and the equipment at any time during the lease period.

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of $23,982,000 were from local government entities to finance certain trunk highway projects. In addition, $21,376,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

Business-type activities loans include unpaid cash advances of $598,793,000 by the U.S. Treasury for unemployment benefit payments of the Unemployment Insurance Fund (enterprise fund). These cash advances are interest-free through December 31, 2010, and authorized by Section 1201 of the Social Security Act. Repayments will be funded by future Unemployment Insurance benefit premiums. The advance will continue to increase until the insurance benefit premiums exceed the benefits paid. The remaining business-type activities loans are loans to purchase equipment and loans from energy companies to improve energy efficiencies in the colleges and universities.

Revenue Bonds Payable

On July 26, 2006, $15,145,000 of revenue bonds were issued to provide grants to school districts located in the state"s taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Agency has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $22,809,000 for fiscal year 2010, have averaged about one third of the state"s total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. For fiscal year 2010, principal and interest paid by the Iron Range Resources and Rehabilitation Agency on the bonds was $1,394,000. The total principal and interest remaining to be paid as of June 30, 2010, is $16,640,000, payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2010, is $154,529,000, payable through June 2025. Principal and interest paid during fiscal year 2010 and total 911 fee revenues were $18,017,000 and $60,229,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $300,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 2.00 to 6.50 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 16 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $269,707,000. Principal and interest paid during fiscal year 2010 and total customer net revenues were $16,941,000 and $101,311,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,492,000. Principal and interest paid and total customer net revenues during fiscal year 2010 were $204,000 and $400,000, respectively. These revenue bonds have a variable interest rate of 2.50 to 5.75 percent.

Vermilion Community College issued revenue bonds through the Minnesota Higher Education Facilities Authority that are payable through 2013. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and guaranteed by the City of Ely. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $253,000. Principal and interest paid and total customer net revenues during fiscal year 2010 were $82,000 and $228,000, respectively. These revenue bonds have a fixed interest rate of 6.00 percent.

On November 1, 2000, $16,000,000 in revenue bonds were issued for financing expansion of the Giants Ridge Recreational Area at a true interest rate of 7.48 percent. In addition, $3,710,000 in bonds were refunded. The original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the Giants Ridge Fund (enterprise fund). The Iron Range Resources and Rehabilitation Agency has pledged the gross revenues from the operation of the Giants Ridge Recreational Facilities, including green fees and ski lift ticket receipts, to repay the debt. The debt service on these bonds is payable solely from these sources. The total principal and interest remaining to be paid on the bonds as of June 30, 2010, is $19,008,000, payable through November 2025. Principal and interest paid during fiscal year 2010 and net Giants Ridge Fund available revenues were $1,673,000 and $4,184,000, respectively.

Giants Ridge
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2010 Outstanding Amount	Refunded Bond Call Date
November 1, 2000	$ 3,710	$ 3,710	$ 2,475	November 1, 2025

Pollution Remediation

The state of Minnesota is financially responsible to remediate certain known pollution present on either state owned or non-state owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2010, were $51,127,000. Of this total, $33,592,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state"s pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

Claims

Municipal solid waste landfill liability of $220,310,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. Funding for the state"s ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

Claims of $39,600,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

The remaining claim amount of $483,800,000 is for reimbursements of supplementary and second injury benefits for old workers‟ compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00%) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2050 for supplementary benefits and 2036 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $294,287,000 and $144,975,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers‟ Compensation

The governmental activities and business-type activities liability for workers' compensation of $105,257,000 and $6,518,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2010, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2010, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state‟s three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. The revenue bonds have a variable interest rate of 5.38 to 6.00 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems‟ defined contribution funds. The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2010, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,071,000. The total principal and interest remaining to be paid as of June 30, 2010, is $ 42,104,000, payable through 2030.

Long-Term Debt Repayment Schedule
Fiduciary Funds
Revenue Bonds – SERF, TRF, and PERF
(In Thousands)

Year Ended June 30	Principal	Interest
2011	$ 675	$ 1,412
2012	700	1,376
2013	750	1,338
2014	775	1,297
2015	825	1,254
2016-2020	4,925	5,509
2021-2025	6,725	3,891
2026-2030	8,975	1,677
Total	$ 24,350	$ 17,754

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2010, net of unamortized premium, was $2,648,507,000. On June 30, 2010, HFA owed $56,000,000 against an advance from a line of credit.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the full faith and credit and taxing powers of MC. MC had $1,194,047,000 in general obligation bonds outstanding, net of unamortized premium, and $5,134,000 of revenue bonds outstanding on December 31, 2009.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2010, the principal amount of revenue bonds outstanding was $139,237,000 and the principal amount of general obligation bonds outstanding was $483,673,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2010, the principal amount of revenue bonds outstanding was $7,360,000.

Office of Higher Education (OHE) is authorized by Minnesota Statutes, Sections 136A.171-.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2010, the outstanding principal of revenue bonds was $590,100,000.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2010, net of unamortized premium, was $987,707,000.

Component Units
General Obligation Bonds
Major Component Units
(In Thousands)

	MC[(1)]		U of M	
Year Ended	Principal	Interest	Principal	Interest
2011	$ 114,563	$ 41,692	$ 90,021	$ 46,526
2012	94,216	38,262	228,316	21,763
2013	73,285	35,075	6,526	8,217
2014	67,624	32,380	6,776	7,972
2015	68,859	29,915	7,046	7,700
2016-2020	383,495	110,177	38,841	34,381
2021-2025	284,246	45,234	46,443	24,325
2026-2030	88,945	6,760	49,216	9,947
2031-2035	-	-	10,488	1,347
	$ 1,175,233	$ 339,495	$ 483,673	$ 162,178
Unamortized Discounts/Premiums and Issuance Costs	18,814	-	-	-
Total	$ 1,194,047	$ 339,495	$ 483,673	$ 162,178

[(1)]MC fiscal year ends December 31.

Component Units
Long-Term Debt Repayment Schedule
Revenue Bonds
Major Component Units
(In Thousands)

	HFA		MC[1]		U of M[2]	
Year Ended	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 653,690	$ 81,005	$1,185	$199	$ 5,669	$ 6,341
2012	49,215	78,283	1,245	138	5,564	6,086
2013	59,690	76,105	1,305	81	5,769	5,840
2014	53,715	73,873	1,365	27	5,789	5,590
2015	51,255	71,736	-	-	5,389	5,331
2016-2020	278,190	326,000	-	-	30,954	22,659
2021-2025	304,910	267,454	-	-	39,064	14,546
2026-2030	401,885	198,973	-	-	41,039	4,323
2031-2035	442,920	117,859	-	-	-	-
2036-2040	319,895	34,973	-	-	-	-
2041-2045	18,465	2,804	-	-	-	-
2046-2050	13,025	528	-	-	-	-
	$2,646,855	$ 1,329,593	$ 5,100	$ 445	$139,237	$ 70,716
Unamortized Discounts/Premiums and Issuance Costs	1,652	-	34	-	-	-
Total	$2,648,507	$ 1,329,593	$ 5,134	$ 445	$139,237	$ 70,716

[1]MC fiscal year ends December 31.
[2]Does not include foundation issued bonds.

Component Units
Long-Term Debt Repayment Schedule
Revenue Bonds
Nonmajor Component Units
(In Thousands)

	AEDB		OHE		PFA	
Year Ended	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 795	$ 393	$ -	$ 4,668	$ 48,835	$ 44,875
2012	835	352	-	4,668	59,465	44,016
2013	885	307	-	4,668	59,705	41,182
2014	925	261	-	4,668	62,710	38,224
2015	970	210	-	4,667	66,180	35,116
2016-2020	2,665	459	-	23,338	352,320	124,199
2021-2025	285	10	-	23,338	244,815	43,759
2026-2030	-	-	-	23,338	51,475	4,625
2031-2035	-	-	53,500	23,338	-	-
2036-2040	-	-	366,600	13,948	-	-
2041-2045	-	-	170,000	1,743	-	-
	$ 7,360	$ 1,992	$ 590,100	$ 132,382	$ 945,505	$ 375,996
Unamortized Discounts/Premiums and Issuance Costs	-	-	-	-	42,202	-
Total	$ 7,360	$ 1,992	$ 590,100	$ 132,382	$ 987,707	$ 375,996

Variable Rate Debt

University of Minnesota

To protect against future interest rate fluctuations on U of M‟s general obligation bonds and for budgeting purposes, U of M has entered into six separate interest rate swaps. All of these are pay-fixed, receive-variable interest rate swaps which are intended to change U of M‟s variable interest rate bonds to synthetic fixed-rate bonds. See Note 2 – Cash, Investments, and Derivative Instruments.

Office of Higher Education

The interest rates on all of the bonds are reset periodically. The rates on all of the bonds, except the taxable Series 2008A bonds and the tax-exempt Series 2008B bonds, are based on a determination by the auction agent through auction proceedings. The rates on the taxable bonds cannot exceed the lesser of one-month LIBOR plus 1 percent; 17 percent; or the 91 day average of the three-month T-Bill plus an applicable spread of 1.25 percent. The rates on the tax-exempt bonds cannot exceed the lesser of the applicable percentage of the Kenny index or the after-tax equivalent rate; 14 percent; or the three month average of the three-month T-Bill plus an applicable spread of 1.25 percent. The interest on the auction rate bonds is payable each time the rates are reset and no principal payments are required until final maturity.

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15 percent and 12 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and semi-annually, respectively. No principal payments are required until final maturity.

Bond Defeasances

On December 1, 2009, Housing Finance Agency issued $157,910,000 of Residential Housing Finance Bonds, 2009 Series DEF, a portion of which defeased $52,910,000 of HFA"s outstanding Single Family Mortgage Bonds, 1995 Series M, 1996 Series JK, 1997 Series ABC, 1997 Series IJKL, 1998 Series AB, 1998 Series CDE, 1999 Series BCD, 2000 Series ABC, and 2000 Series IJ. The trust account assets and the liability for the defeased bonds were not included in HFA"s financial statements as of June 30, 2010.

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $166,600,000 outstanding as of June 30, 2010. Neither the outstanding indebtedness nor the related trust account assets for these bonds are included in the U of M"s financial statements as of June 30, 2010.

Public Facilities Authority had $345,500,000 of various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2010.

Pollution Remediation Obligations

For the fiscal year ended June 30, 2010, the U of M"s pollution remediation liability totaled $2,712,000.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2010
(In Thousands)

	Minnesota State Colleges and Universities Revenue Fund	Vermilion Modular Housing	Itasca Residence Halls	Giants Ridge	911 Services
Condensed Statement of Net Assets					
Assets:					
Current Assets	$ 65,732	$ 153	$ (4)	$ 6,626	$ 41,028
Restricted Assets	107,519	141	273	1,600	-
Notes Receivable	2,400	-	-	-	-
Capital Assets	204,855	830	3,546	21,265	54,530
Total Assets	$ 380,506	$ 1,124	$ 3,815	$ 29,491	$ 95,558
Liabilities:					
Current Liabilities	$ 21,157	$ 187	$ 101	$ 1,577	$ 13,951
Noncurrent Liabilities	185,327	155	2,027	10,788	111,639
Total Liabilities	$ 206,484	$ 342	$ 2,128	$ 12,365	$ 125,590
Net Assets:					
Invested in Capital Assets, Net of Related Debt	$ 91,306	$ 675	$ 1,433	$ 11,248	$ -
Restricted	82,716	64	273	-	-
Unrestricted	-	43	(19)	5,878	(30,032)
Total Net Assets	$ 174,022	$ 782	$ 1,687	$ 17,126	$ (30,032)
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets					
Operating Revenues - Customer Charges	$ 101,311	$ 228	$ 400	$ 4,083	$ 60,229
Depreciation Expense	(10,755)	(36)	(119)	(1,159)	(5,707)
Other Operating Expenses	(71,426)	(123)	(215)	(5,889)	(7,290)
Operating Income (Loss)	$ 19,130	$ 69	$ 66	$ (2,965)	$ 47,232
Nonoperating Revenues (Expenses):					
Interest Income	$ 865	$ -	$ 9	$ 101	$ 274
Private Grants	657	-	-	-	-
Interest Expense	(7,723)	(16)	(124)	(856)	(4,227)
Other	(13)	-	-	(29)	(14,700)
Transfers-In (Out)	-	-	-	4,547	(65,075)
Change in Net Assets	$ 12,916	$ 53	$ (49)	$ 798	$ (36,496)
Beginning Net Assets	161,106	729	1,736	16,328	(37,095)
Prior Period Adjustment	-	-	-	-	43,559
Ending Net Assets	$ 174,022	$ 782	$ 1,687	$ 17,126	$ (30,032)
Condensed Statement of Cash Flows					
Net Cash Provided (Used) By:					
Operating Activities	$ 25,845	$ 101	$ 147	$ (1,931)	$ 52,931
Net Cash Provided Concapital Activities	657	-	-	-	-
Noncapital Financing Activities	-	-	-	4,547	(33,286)
Capital and Related Financing Activities	(62,092)	(82)	(204)	(3,017)	(15,859)
Investing Activities	1,276	-	9	72	274
Net Increase (Decrease)	$ (34,314)	$ 19	$ (48)	$ (329)	$ 4,060
Beginning Cash and Cash Equivalents	$ 165,932	$ 140	$ 291	$ 6,702	$ 31,889
Ending Cash and Cash Equivalents	$ 131,618	$ 159	$ 243	$ 6,373	$ 35,949

The types of goods or services provided by each segment are as follows:

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, or food service purposes.
- MnSCU Vermilion segment accounts for the construction and operation of student housing at Vermilion Community College.
- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.
- Giants Ridge is a four-season recreation facility with golfing, as well as downhill and nordic skiing.
- 911 Services Fund accounts for activities related to the enhancement of the state‟s 911 emergency response system.

Each segment has a revenue stream pledged to secure revenue bonds and provisions in the bond documents which require the separate reporting of each segment‟s financial operations and position.

Note 15 – Contingent Liabilities

Primary Government

In addition to the pension trust funds included in the reporting entity (see Note 8 – Pension and Investment Trust Funds), the state is funding a portion of the unfunded liability for other public employee pension funds. Funding formulas contained in state statutes define the state‟s contributions to these local funds. Funding is provided in the state‟s biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The pension trust funds involved, the year-end for which the most current data is available, and the unfunded liabilities are described below (in thousands):

Primary Government
Contingent Liabilities
(In Thousands)

Fund	Liability as of	Unfunded Liability
St. Paul Teachers Retirement Fund	June 30, 2009	$ 404,360
Duluth Teachers Retirement Fund	June 30, 2009	$ 85,556
Local Police and Fire Fund (1)	December 31, 2009	$ 193,120

(1) The Local Police and Fire Fund consists of five local plans.

Component Units

Since January 18, 2000, Metropolitan Council (MC) has been contingently liable for Carver County Housing and Redevelopment Authority Revenue Bonds. The bond issue was for $2,696,000, payable primarily from the revenues of the Housing Authority, but is also secured by the pledge of the full faith and credit of the City of Chaska and MC. The city must reimburse MC for any money paid by MC for debt service on the bonds. These bonds have a final maturity on January 1, 2030.

On December 31, 1996, University of Minnesota Hospital and Clinic operations and certain assets and liabilities were transferred to University of Minnesota Medical Center, Fairview (Fairview). Fairview and the University of Minnesota also agreed to affiliate with each other in support of research, education, and patient care missions of the University of Minnesota's Academic Health Center. Under this affiliation agreement, the University of Minnesota shares equally with Fairview in any unfunded education costs at the teaching hospital.

Workers' Compensation Assigned Risk Plan (WCARP) contracts with six servicing contractors to provide policy issuance, premium accounting, and claim settlement services in exchange for a service fee based upon a standard written premium. Contingent liabilities exist with respect to performance of the above services to the extent that the servicing carriers are unable to meet their obligations under terms of the general service agreement.

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts in force at December 31, 2009, was approximately $3 million.

Note 16 – Equity

Restricted Net Assets – Government-wide Statement of Net Assets

The following table identifies the primary government"s restricted net assets in greater detail than is presented on the face of the financial statements:

Primary Government
Restricted Net Asset Balances
As of June 30, 2010
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Debt Service	$ 432,459	$ -	$ -	$ 432,459
Public Safety	-	23,179	86	23,265
Transportation	871,241	37,656	-	908,897
Environmental Resources	134,594	613,228	11,115	758,937
Economic and Workforce Development	-	103,284	6,254	109,538
Arts and Cultural Heritage	16,594	-	-	16,594
School Aid - Nonexpendable	688,891	-	-	688,891
School Aid - Expendable	5,561	-	-	5,561
General Education	-	76,695	2,684	79,379
Health & Human Services	-	23,493	17,635	41,128
State Colleges and Universities	-	-	451,277	451,277
General Government	-	17,869	562	18,431
Other Purposes	-	-	36,253	36,253
Total Restricted Net Assets	$ 2,149,340	$ 895,404	$ 525,866	$ 3,570,610

Fund Balances – Primary Government

The following table identifies governmental fund balances of the primary government in greater detail than is presented on the face of the financial statements:

Primary Government
Fund Balances
As of June 30, 2010
(In Thousands)

	General Fund	Major Special Revenue Fund — Federal Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	$ -	$ -	$ 29,578	$ 29,578
Trust Fund Principal	465,601	-	-	465,601
Permanent Fund Principal	-		688,891	688,891
Restricted for:				
Arts and Cultural Heritage	-		16,594	16,594
Public Safety	-		23,182	23,182
Transportation	-		920,055	920,055
Environmental	35,288	123	339,640	375,051
Economic and Workforce Development	66,842		62,011	128,853
Health and Human Services	-		21,630	21,630
General Education	71,557		7,787	79,344
General Government			18,430	18,430
Debt Service			764,447	764,447
Capital Projects			201,082	201,082
Permanent Fund			5,561	5,561
Committed to:				
Public Safety			40,966	40,966
Transportation			591	591
Environmental			55,736	55,736
Economic and Workforce Development			172,434	172,434
Health and Human Services			257,490	257,490
General Education			365	365
General Government			9,427	9,427
Assigned to:				
Capital Projects			3,920	3,920
Unassigned:	(1,525,534)			(1,525,534)
Total Fund Balances	$ (886,246)	$ 123	$ 3,639,817	$ 2,753,694

Deficit Equity Balances

A $30,032,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state‟s emergency communication system. The deficit will be resolved through future 911 fee revenues.

A $944,000 deficit total net asset balance in the Behavioral Services Fund (enterprise fund) occurred during fiscal year ended June 30, 2010. This fund‟s operations are currently being evaluated to determine future options.

Note 17 – Risk Management

Primary Government

The state is exposed to various risks of loss related to torts; to theft of, damage to, or destruction of assets; to errors and omissions; and to employer obligations. The state manages these risks through the Risk Management Fund (internal service fund), a self-insurance fund, and other insurance and self-funding mechanisms. All health plans are self-insured.

Risk Management Fund

State agencies may elect to participate in the Risk Management Fund (internal service fund), which offers auto, liability, property, and related coverage. The agencies pay a premium to participate in this coverage. All agencies that own state vehicles are required to purchase automobile liability coverage from the fund.

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $4,000,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

The liability coverage is up to the statutory limit (tort claims cap) of $500,000 bodily injury and property damage per person, and $1,500,000 bodily injury and property damage per occurrence. The casualty reinsurance program provides $10,000,000 excess of a $1,000,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state‟s jurisdiction.

The Risk Management Fund purchases insurance policies for state agencies seeking insurance for specialized insurance needs for which the state does not self-insure. These coverages include aviation, medical malpractice, and foster care liability. The premiums for these policies are billed back to the agencies at cost.

Minnesota Statutes, Section 15.38, Subdivision 8, permits the purchase of insurance on state-owned buildings and contents.

All losses of state property are covered by programs of the Risk Management Fund, by insurance policies purchased in the commercial market, or are uninsured and become the liability of the state.

Tort Claims

State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature. Tort claims brought outside Minnesota state jurisdiction and in Federal court have unlimited liability exposure.

Workers' Compensation

The state, as a self-insured employer, assumes all risks for workers‟ compensation related claims and provides workers‟ compensation insurance coverage for state employees. The program provides a full-service workers‟ compensation insurance program, including work place safety and loss control, rehabilitative and return to work services, claim services, and legal services.

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers‟ compensation claims that exceed the current retention amount of $1,800,000.

The recovery of claim costs that are less than the WCRA retention amount is the responsibility of each state agency. State agencies may participate in either a „pay-as-you-go‟ revolving fund or a premium pool cost allocation fund. These costs are paid from each agency‟s operating budget.

The state estimates the liability for reported claims that have not yet been settled. These costs include anticipated indemnity and medical benefits related to the reported claim.

State Employee Group Insurance Program

The Minnesota State Legislature created the Employee Insurance Fund (internal service fund), administered by the State Employee Group Insurance Program (SEGIP), to provide eligible employees and other eligible persons with life insurance and hospital, medical, and dental benefits coverage through provider organizations. The Employee Insurance Fund is not associated with any other public risk pools. The fund type used to account for SEGIP fiscal activities is an internal service fund dedicated solely for the purpose of this program. A contingency reserve is maintained to increase the controls over medical plan provisions and other insurance costs for the purpose of moderating premium and claim fluctuations, and to assume all inherent risk associated with the self-funded insurance programs, which would also include losses to the fund.

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $912,018 greater than coverage during the fiscal year ended June 30, 2010.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred, but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota State Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental benefit coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987, codified as Minnesota Statutes, Section 43A.316. Beginning in fiscal year 1998, medical benefits provided through PEIP became a self-insured program.

PEIP's membership as of June 30, 2010, was 3,258 members and their dependents. The members of the pool include 21 school districts, 32 cities/townships, 2 counties, and 12 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for stop-loss coverage for claims in excess of $100,000.

The pool establishes claims liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits the recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured.

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2009, and 2010:

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/09	$ 9,001	$ 5,896	$ 5,556	$ 9,341
Fiscal Year Ended 6/30/10	$ 9,341	$ 8,185	$ 2,877	$ 14,649
Tort Claims				
Fiscal Year Ended 6/30/09	$ -	$ 1,111	$ 1,111	$ -
Fiscal Year Ended 6/30/10	$ -	$ 375	$ 375	$ -
Workers" Compensation				
Fiscal Year Ended 6/30/09	$ 101,151	$ 17,842	$ 18,653	$ 100,340
Fiscal Year Ended 6/30/10	$ 100,340	$ 32,787	$ 21,355	$ 111,772
State Employee Insurance Plans				
Fiscal Year Ended 6/30/09	$ 41,280	$ 533,762	$ 529,652	$ 45,390
Fiscal Year Ended 6/30/10	$ 45,390	$ 568,346	$ 568,920	$ 44,816

Primary Government
Public Employee Insurance Program
Medical Claims
(In Thousands)

	Year Ended June 30 2010	Year Ended June 30 2009
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 895	$ 975
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 18,788	$ 8,806
Increases (Decreases) in Provision for Insured Events of Prior Years	(316)	(15)
Total Incurred Claims and Claim Adjustment Expenses	$ 18,472	$ 8,791
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 16,848	$ 7,921
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	559	950
Total Payments	$ 17,407	$ 8,871
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 1,960	$ 895

Component Units

Housing Finance Agency

Housing Finance Agency (HFA) is exposed to various insurable risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions; and employer obligations. HFA manages these risks through the primary government‟s insurance plans including the primary government‟s Risk Management Fund and through purchased insurance coverage. HFA retains the risk of loss, although there have been no settlements or actual losses in excess of coverage in the last three years. HFA participates in the State Employee Group Insurance Plan (SEGIP), which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations. HFA also participates in the primary government‟s Workers‟ Compensation Program. Annual premiums are assessed by the program based on average costs and claims.

Metropolitan Council

Metropolitan Council (MC) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and to employer obligations. MC both purchases commercial insurance and self-insures for these risks of loss as discussed above. MC has not experienced significant reduction in insurance coverage from the prior year. MC has not had any settlements in excess of commercial coverage for the past three years.

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC‟s tort exposure to $500,000 per claim and $1,500,000 per occurrence for a claim arising on or after July 1, 2009. For claims arising earlier, the limits are $400,000 per claim and $1,200,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 4.64 percent. The self-insurance retention limit for workers' compensation is $1,800,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

University of Minnesota (U of M) is self-insured for medical malpractice, general liability, directors and officers liability, and automobile liability through RUMINCO, Ltd., a wholly-owned single parent captive insurance company. Claims are reported to a third-party administrator, which pays expenses and sets up reserves. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated in the year in which it is reported. In addition, an actuarial liability is established for incurred but not reported claims using a discount rate of 1.5 percent.

U of M is also self-insured for workers' compensation through an internally maintained fund. The internal fund for workers' compensation is maintained only to fund current year expected payouts. Excess insurance is maintained through the Workers' Compensation Reinsurance Association. Each year, an actuarial estimate of the U of M‟s liability for workers' compensation is compiled and recorded, but the liability is not funded in a separate reserve.

U of M‟s medical (health) and dental coverage for faculty and staff is a self-insured program. Under the plan, U of M pays claims, while the administration of the program is handled by independent administrators. U of M‟s graduate assistant medical plan and student health plan are also self-insured. Each year, an actuarial estimate of the U of M‟s liability for medical claims, including incurred but not reported claims, is recorded.

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2008, and 2009, or June 30, 2009, and 2010, as applicable:

Component Units
Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/08	$ 15,931	$ 6,180	$ 6,793	$ 15,318
Fiscal Year Ended 12/31/09	$ 15,318	$ 7,842	$ 7,351	$ 15,809
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/09	$ 9,757	$ 1,011	$ 2,848	$ 7,920
Fiscal Year Ended 6/30/10	$ 7,920	$ 2,185	$ 2,287	$ 7,818
University of Minnesota – Workers" Compensation				
Fiscal Year Ended 6/30/09	$ 7,374	$ 10,633	$ 3,875	$ 14,132
Fiscal Year Ended 6/30/10	$ 14,132	$ 2,978	$ 4,427	$ 12,683
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/09	$ 16,162	$ 219,327	$ 217,232	$ 18,257
Fiscal Year Ended 6/30/10	$ 18,257	$ 239,781	$ 239,394	$ 18,644

Note 18 – Budgetary Basis vs. GAAP

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, intrafund transactions, and loan classifications, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two basis of accounting for the General Fund is provided in the following table.

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2010
(In Thousands)

GAAP Basis Fund Balance:	$	(886,246)
Less: Encumbrances		(86,864)
Unassigned Fund Balance	$	(973,110)
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(405,000)
Tax Refunds Payable		658,842
Human Services Receivable		(30,214)
Unearned Revenue		10,357
Escheat Asset		(9,961)
Other Receivables		(26,028)
Permanent School Fund Reimbursement		(3,748)
Investments at Market		8,659
Expenditure Accruals/Adjustments:		
Medical Care Programs		322,033
Human Services Grants Payable		56,177
Education Aids		1,707,584
Police and Fire Aid		79,491
Other Payables		753
Other Financial Sources (Uses):		
Transfers-In		(41,291)
Fund Structure Differences:		
Terminally Funded Pension Plans		7,536
Perspective Differences:		
Account with no Legally Adopted Budget		(860,439)
Long-Term Receivables		(39,509)
Appropriation Carryover		(121,566)
Budgetary Reserve	$	(266,000)
Budgetary Basis:		
Undesignated Fund Balance	$	74,566

Note 19 – Litigation

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2010, and June 30, 2011, are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

2) *35W Bridge Collapse.* On August 1, 2007, the 35W interstate bridge over the Mississippi River collapsed. Thirteen people were killed, and approximately 145 injured. The bridge, which opened in 1967, was designed by a private contractor under contract with the state of Minnesota and was inspected and maintained by the Minnesota Department of Transportation ("MnDOT"). The state has received 186 Notices of Tort Claim arising from the collapse of the 35W bridge. The Minnesota Legislature enacted a Compensation Fund codified in Minnesota Statutes, Section 3.7391 et seq., and appropriated $36,640,000 for payments to representatives of decedents and claimants who were on the 35W bridge at the time of the collapse. A panel of three attorneys determined the amount of payments. All 179 claimants accepted payments from the Compensation Fund and the emergency relief fund in the aggregate amount of about $37 million on the condition that they waived the right to sue the state for additional recovery. However, the majority of those claimants have commenced litigation against the original bridge designer, an engineering firm that inspected the bridge under contract with the state, and a construction company that was performing work on the bridge at the time of the collapse. The state has been third-partied into this litigation which is venued in Hennepin County state court. Although the state‟s position is that its exposure in this litigation is capped at $1 million, the constitutionality of this cap may be challenged. The state has brought third party claims against the other defendants seeking recovery of the $37 million paid to claimants by the statutory compensation fund, the emergency relief fund and for state‟s damages associated with the collapse. The state‟s claim against the construction company performing work on the bridge at the time of the collapse has been settled for $1 million. The state‟s claim against the company which had performed inspections and analysis of the bridge has been settled for $5 million. The state is pursuing a claim against the company that designed the bridge. The Minnesota Supreme Court is reviewing lower court rulings that would permit the state‟s claim to proceed.

3) Lawsuits based on non-tort theories furnish another basis for potential liability. The following cases, or categories of cases, in which the state, its officers or employees, are defendants have been noted because an adverse decision in each case or category of case could result in an expenditure of state moneys of over $15 million in excess of current levels.

    a) At any one time, there are hundreds of MnDOT eminent domain actions being litigated in district courts throughout the state. There is a continuous flow of such cases, with the actual number depending on many factors such as the number of parcels of land that can be acquired by direct purchase, the construction needs of the department, and revenues available for highway projects. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact the state‟s Trunk Highway Fund (special revenue fund). MnDOT has agreed to acquire properties for the Metropolitan Council‟s Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the state for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the state may impact funding to be provided to MnDOT by the Metropolitan Council.

b) *ACS State and Local Solutions, Inc. v. State of Minnesota, through its Commissioner of the Department of Human Services* (Ramsey County District Court). In May, 2003, the Minnesota Department of Human Services ("DHS") entered into a software development contract with an entity known as SSi North America. Under the contract, SSi was to develop and deliver a web-based software program known as "HealthMatch," intended to combine and automate certain evaluation and decision-making tasks regarding eligibility for several health care assistance programs administered by DHS. The HealthMatch contract was subsequently assigned to Albion, Inc., which was owned by SSi, and later, the assets of Albion, Inc., including the HealthMatch contract, were purchased by ACS State and Local Solutions, Inc. Initially, the contract was to continue until May, 2005, but as difficulties arose with regard to completion of the software, it was eventually extended to May, 2008. In March, 2008, DHS determined that satisfactory progress toward completion was not being made and terminated the contract. ACS filed suit on September 9, 2008, claiming damages in excess of $50,000 based on breach of contract, quantum meruit (just compensation for work performed), and unjust enrichment. While denying liability, DHS estimates that a decision favorable to plaintiff ACS could result in an impact on the General Fund in excess of $15 million. The court granted in part DHS‟s motion for summary judgment and dismissed ACS‟s claims for quantum merit and unjust enrichment. On October 21, 2010, argument was held on ACS‟s motion for summary judgment on DHS‟s counter claim. At the present time, the motion is under advisement. The court has set the case on for trial during a three week block beginning on March 14, 2011.

c) *Alliance Pipeline, L.P. v. Commissioner of Revenue, et al.* (Minnesota Tax Court). Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In mid-October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner‟s 2009 assessment of Alliance‟s natural gas pipeline property in Minnesota. The legal issues in this appeal are very similar to the legal challenges raised in the MERC appeals below. Alliance challenges the assessment asserting that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8. Alliance also challenges Minnesota Rule 8100 to the extent it exceeds the Commissioner‟s statutory authority arguing that it creates a valuation process which does not value utility property at its fair market value. Alliance also challenges the rule as unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process Clauses of the U.S. Constitution. Alliance also alleges the Commissioner‟s assessment violates the Commerce Clause of the U.S. Constitution.

d) *Electric Cooperative Assessment Cases* (Minnesota Tax Court). This series of separate appeals filed against the Commissioner of Revenue in Tax Court currently involves 15 electric coops (with likely 7 more to be filed soon for a total of 22 cases). Each electric cooperative has appealed the Commissioner‟s assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year‟s end, if the cooperative has charged members in excess of the actual costs, it issues patronage adjustments in the form of "capital credits" to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department initially paid the refunds to each appellant but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to patron‟s capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant‟s administrative appeal. The state filed Returns and Answers in 13 of these files on August 9, 2010, with the rest due soon. There are an estimated 44 electric coops in the state who are similarly situated to the 15 (soon to be 22) electric coops who have filed appeals in Tax Court. The total financial potential impact to the state of the Commissioner losing the legal issue in these cases is approximately $20.9 million in one-time refunds with an on-going annual impact of $4.2 million

e) *The Home Insurance Company v. Special Compensation Fund, and Minnesota Department of Labor and Industry* (Ramsey County District Court). The Home Insurance Company ("Home") seeks a declaration that it is entitled to reimbursement from the Special Compensation Fund (special revenue fund) for certain workers‟ compensation payments Home has made. Home, which is in liquidation, seeks the reimbursement to which it claims it is entitled under the state‟s workers‟ compensation scheme, and without recourse to the General Fund. Defendants Minnesota Department of Labor and Industry and Special Compensation Fund have denied Home‟s requests for reimbursement, raising various statutory defenses and stating that Home is not entitled to reimbursement under the law. Home claims it is entitled to $21 million in past and future reimbursements. Summary judgment motions of both parties were heard in May 2010. Defendants asked to have Plaintiffs' complaint dismissed. The district court granted partial summary judgment in favor of the plaintiff in the amount of $7,265,246, and denied summary judgment as premature as to future payments on qualifying claims. The state is considering options, including appeal.

f) *Jensen, et al. v. METO, et al.* (U.S District Court). Parents/guardians of several patients/former patients of the Minnesota Extended Treatment Options ("METO") program allege violations of various state and federal constitutional and statutory rights because of alleged misuse of restraints and seclusion of people committed in part because of developmental disabilities and seek class action status, money damages and injunctive relief. A tentative settlement on monetary issues was reached (with the state contributing $2.8 million) but a settlement has not been finalized.

g) *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation‟s real, personal and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008, 2009, and 2010 are consolidated. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minnesota Statutes, Section 272.03, Subdivision 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (art. X, sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 million. A new rule governs calculation for the 2009 tax year. MERC objects to both the old and new Rules. Specifically, MERC disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation, the weighting of cost factors and claim that the property tax assessments are not applied evenly throughout Minnesota.

h) *R.J. Reynolds Tobacco Co. v. Comm'r of Revenue* (Minnesota Tax Court). This is a corporate franchise case where the taxpayer originally reported a $2.9 billion sale from the sale of certain international business operations as business income apportionable to Minnesota which increased its sales factor denominator by the gain amount. The Commissioner excluded gain from the company's sales factor and made no adjustment to the taxable income. The taxpayer objected, arguing that the business income must be represented in the apportionment factors to avoid distortion, or in the alternative, the gain must be deemed non-business income because the taxpayer did not conduct a unitary business with its international operations. The Commissioner rejected both arguments and also allowed only an 80% deduction for dividends received from a foreign subsidiary, rather than a 100% deduction. The Commissioner denied the taxpayer‟s refund claim asserting that the gain from the sale of trademark assets ($2.6 billion) was non-business income. The amount at issue with this particular taxpayer is $3.2 million plus $1.2 million in a denied refund claim. If the Commissioner‟s decision is not upheld, the Commissioner estimates that the outcome of this litigation will affect similarly situated taxpayers resulting in a prospective loss of $8 million per year starting in FY 2011, and a retroactive effect of $24 million for FY 2011.

i) *Swanson, et al. v. State, Public Employees Retirement Association, Minnesota State Retirement System, Teachers Retirement Association (PERA, MSRS,TRA), et al,* (Ramsey County District Court). A class action lawsuit was filed in May 2010 against the state's pension funds. Plaintiffs are challenging 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. Plaintiffs seek a judicial determination that the legislation violates the contract clause of both the state and federal constitution; that the legislation violates the taking clause of the federal constitution, that the legislation is arbitrary and capricious and violates substantive due process, and that the named individual defendants violated 42 USC. The state Defendants moved for summary judgment with argument scheduled for March 2011.

Note 20 – Subsequent Events

Primary Government

On August 19, 2010, the state sold $635,000,000 of general obligation state various purpose bonds Series 2010A, $225,000,000 of general obligation state trunk highway bonds Series 2010B at a true interest rate of 3.12 percent, and $5,000,000 of general obligation taxable state bonds Series 2010C at a true interest rate of 1.86 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On September 22, 2010, the state secured a line of credit in the maximum amount of $600,000,000 to increase liquidity and assist in managing the fluctuations of forecasted state receipts and disbursements. The extent to which the line of credit is actually utilized to meet cash flow needs will be determined by the variance between estimated and actual receipts and the timing of major payments during any given month. The state has not accessed this line of credit, which expires on June 30, 2011.

On September 29, 2010, the state sold $687,115,000 of general obligation state various purpose refunding bonds Series 2010D at a true interest rate of 2.21 percent, and $220,670,000 of general obligation state trunk highway refunding bonds Series 2010E at a true interest rate of 2.24 percent. These bonds are backed by the full faith and credit and taxing power of the state.

In October 2010, a second special legislative session was held to provide disaster assistance of $80,206,000 for flood and tornado relief.

On November 1, 2010, the Commissioner of Iron Range Resources and Rehabilitation called and redeemed all of the Giants Ridge Recreation Area Series 2000 Bonds in the outstanding principal amount of $10,485,000. In November 2000, the $16,000,000, 25-year revenue bonds were issued to finance the construction of a second golf course and to retire $4,250,000 of the 15-year revenue bonds that had been issued in 1996 to finance a portion of the costs of the first golf course. The early redemption ends any liability that Iron Range Resources might otherwise have for payments in regard to the bonds.

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

Required Supplementary Information

2010
Comprehensive
Annual
Financial Report

MINNESOTA

Headwaters of the mighty Mississippi

Modified Approach for Infrastructure

The state uses the modified approach for reporting selected infrastructure assets. Under this approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 29,000 lane miles of pavement and approximately 3,000 bridges and tunnels maintained by the state.

To utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (Mn/DOT) uses three pavement condition indices to determine the condition of the trunk highway system: Present Serviceability Rating (PSR), Surface Rating (SR), and Pavement Quality Index (PQI). The PSR is a measure of pavement smoothness, the SR measures pavement distress (cracking) and the PQI is a composite index equal to the square root of the PSR multiplied by the SR.

The five qualitative categories used to describe pavement condition are shown in the table below.

Description	PQI Range	PSR Range	SR Range
Very Good	3.7 - 4.5	4.1 - 5.0	3.3 - 4.0
Good	2.8 - 3.6	3.1 - 4.0	2.5 - 3.2
Fair	1.9 - 2.7	2.1 - 3.0	1.7 - 2.4
Poor	1.0 - 1.8	1.1 - 2.0	0.9 - 1.6
Very Poor	0.0 - 0.9	0.0 - 1.0	0.0 - 0.8

The PQI will be used as the index for determining whether the pavement infrastructure is being maintained in a serviceable level. The PQI is an overall index, combining both pavement smoothness (PSR) and cracking (SR).

Established Condition Level

Principal arterial pavements will be maintained at 3.0 PQI (good) or higher and all other pavements will be maintained at 2.8 PQI (good) or higher.

Assessed Conditions

The state assesses condition on 100 percent of the pavement surfaces at least once every two years.

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2009	3.25	3.12
2008	3.28	3.15
2007	3.34	3.16

Bridges and Tunnels

Measurement Scale

Mn/DOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under Mn/DOT's jurisdiction.

The Structural Condition Rating is a broad measure of the structural condition of a bridge. Each bridge is rated as Good, Fair, or Poor by using three National Bridge Inventory (NBI) condition codes and two NBI appraisal ratings to place each bridge in a category.

The three NBI condition codes are Deck Condition, Superstructure Condition, and Substructure Condition. The two NBI appraisal ratings are Structural Evaluation and Waterway Adequacy. Both the condition codes and the appraisal ratings use a scale of 0 (failed) through 9 (excellent).

Rating	Description
9	Excellent.
8	Very good.
7	Good. Some minor problems.
6	Satisfactory. Structural elements show some minor deterioration.
5	Fair. All primary structural elements are sound, but may have some minor section loss, cracking, spalling, or scour.
4	Poor. Advanced section loss, deterioration, spalling, or scour.
3	Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present.
2	Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored, it may be necessary to close the bridge until corrective action is taken.
1	Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service.
0	Failure. Out of service, beyond corrective action.

The criteria for placing a bridge in each of the three categories are as follows:

Rating	Description
Good	If all of the condition codes are 7 or greater, and if both of the appraisal ratings are 6 or greater.
Fair	If any of the condition codes are 5 or 6, or if either of the appraisal ratings are 3, 4, or 5.
Poor	If any of the condition codes are 4 or less, or if either of the appraisal ratings are 2 or less. This is also defined as structurally deficient.

Established Condition Level

Ninety-two percent of principal arterial system bridges will be maintained at fair to good, while 80 percent of all other system bridges will be maintained at fair to good.

Assessed Conditions

Principal Arterial	2009	2008	2007
Fair to Good	94.0%	93.5%	97.6%

All Other Systems	2009	2008	2007
Fair to Good	90.4%	90.2%	93.2%

Budgeted and Estimated Costs to Maintain

The following table presents the state's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent (in thousands):

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2010	$ 128,668	$ 391,274	$ 519,942	$ 14,172	$ 328,573	$ 342,745	$ 862,687
	2009	153,692	357,479	511,171	12,312	250,415	262,727	773,898
	2008	183,449	308,443	491,892	10,836	223,926	234,762	726,654
	2007	148,320	480,900	629,220	63,835	223,476	287,311	916,531
	2006 (1)			773,735			301,852	1,075,587
Actual	2010	$ 142,295	$ 188,096	$ 330,391	$ 71,361	$ 531,980	$ 603,341	$ 933,732
	2009	175,274	257,489	432,763	37,994	408,090	446,084	878,847
	2008	252,306	279,664	531,970	35,341	364,939	400,280	932,250
	2007	150,497	253,040	403,537	15,125	312,567	327,692	731,229
	2006 (1)			451,935			360,835	812,770

(1) Due to system limitations, bridge and pavement costs are combined for the year ended June 30, 2006.

Actuarial Measures of Pension Funding Progress

The state of Minnesota is the employer for five defined benefit single employer plans that are administered by Minnesota State Retirement System (MSRS). MSRS prepares and publishes its own stand-alone comprehensive annual financial report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address).

The Elective State Officers Fund (ESOF) is excluded from the single employer plan disclosures since this plan is closed to new entrants and any former active employees have retired, terminated, or elected coverage under another plan.

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		CERF	JRF	LRF	SPRF
Actuarial Valuation Date	2009[1]	7/1/2009	7/1/2009	7/1/2009	7/1/2009
	2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008
	2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007
Actuarial Value of Plan Assets	2009	$ 590,339	$ 147,120	$ 28,663	$ 584,501
	2008	$ 572,719	$ 147,542	$ 39,209	$ 595,082
	2007	$ 559,852	$ 153,562	$ 44,869	$ 617,901
Actuarial Accrued Liability	2009	$ 821,250	$ 241,815	$ 90,431	$ 725,334
	2008	$ 760,363	$ 231,623	$ 86,131	$ 693,686
	2007	$ 708,292	$ 214,297	$ 86,449	$ 673,444
Total Unfunded Actuarial	2009	$ 230,911	$ 94,695	$ 61,768	$ 140,833
Liability	2008	$ 187,644	$ 84,081	$ 46,922	$ 98,604
	2007	$ 148,440	$ 60,735	$ 41,580	$ 55,543
Funded Ratio[2]	2009	72%	61%	32%	81%
	2008	75%	64%	46%	86%
	2007	79%	72%	52%	92%
Annual Covered Payroll	2009	$ 193,445	$ 39,444	$ 1,963	$ 61,511
	2008	$ 194,391	$ 38,296	$ 1,993	$ 60,029
	2007	$ 167,727	$ 36,195	$ 2,380	$ 61,498
Ratio of Unfunded Actuarial	2009	119%	240%	3147%	229%
Liability to Annual Covered	2008	97%	220%	2354%	164%
Payroll	2007	89%	168%	1747%	90%

[1]The July 1, 2009, Annual Valuation Report is the most recently issued report available.

[2]Actuarial value of assets as a percent of actuarial accrued liability.

Actuarial Measures of Other Postemployment Benefits Funding Progress

The state of Minnesota offers other postemployment benefits to state employees and their dependents through a single-employer defined benefit heath care plan.

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	2010[1]	7/1/2008
	2009	7/1/2008
	2008	7/1/2006
Actuarial Value of Plan Assets	2010	$ -
	2009	$ -
	2008	$ -
Actuarial Accrued Liability	2010	$ 754,801
	2009	$ 754,801
	2008	$ 659,044
Total Unfunded Actuarial Liability	2010	$ 754,801
	2009	$ 754,801
	2008	$ 659,044
Funded Ratio[2]	2010	0%
	2009	0%
	2008	0%
Annual Covered Payroll	2010	$ 2,785,335
	2009	$ 2,785,335
	2008	$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2010	27%
	2009	27%
	2008	23%

(1)The July 1, 2008, Annual Valuation Report is the most recently issued report available.

(2)Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

During fiscal year 1998, the Public Employees Insurance Program's medical claims became a self-funded program. The following table illustrates how the fund's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the past ten years.

	Fiscal Year Ended (In Thousands)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Required Contribution and Investment Revenue:										
Earned	$ 18,005	$ 22,149	$ 23,458	$ 22,764	$ 19,177	$ 14,942	$ 13,219	$ 13,439	$ 12,286	$ 25,031
Ceded	1,972	2,243	2,321	2,231	1,736	1,491	1,347	1,298	1,218	2,684
Net Earned	$ 16,033	$ 19,906	$ 21,137	$ 20,533	$ 17,441	$ 13,451	$ 11,872	$ 12,141	$ 11,068	$ 22,347
2. Unallocated Expenses	$ 2,535	$ 2,715	$ 2,528	$ 2,296	$ 1,904	$ 1,638	$ 1,547	$ 1,505	$ 1,534	$ 2,037
3. Estimated claims and Expenses End of Policy Year:										
Incurred	$ 16,550	$ 21,055	$ 19,715	$ 19,466	$ 16,499	$ 12,551	$ 11,206	$ 10,748	$ 9,473	$ 19,350
Ceded	760	2,513	1,570	1,980	1,913	1,382	1,782	380	667	562
Net Incurred	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 13,228	$ 15,824	$ 15,847	$ 15,699	$ 12,909	$ 10,055	$ 8,226	$ 9,403	$ 7,921	$ 16,848
One Year Latter	15,908	18,091	17,572	17,367	14,141	11,282	9,352	10,415	8,482	
Two Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358	10,413		
Three Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358			
Four Years Latter	15,963	18,034	17,579	17,764	14,139	11,301				
Five Years Latter	15,963	18,034	17,579	17,696	14,139					
Six Years Latter	15,963	18,034	17,579	17,696						
Seven Years Latter	15,963	18,034	17,579							
Eight Years Latter	15,963	18,034								
Nine Years Latter	15,963									
5. Re-estimated Ceded Claims and Expenses	$ 760	$ 2,513	$ 1,570	$ 1,980	$ 1,913	$ 1,382	$ 1,782	$ 380	$ 667	$ 562
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788
One Year Latter	15,935	18,114	17,595	17,385	14,152	11,294	9,362	10,425	8,502	
Two Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358	10,413		
Three Years Latter	15,963	18,034	17,579	17,764	14,139	11,301	9,358			
Four Years Latter	15,963	18,034	17,579	17,764	14,139	11,301				
Five Years Latter	15,963	18,034	17,579	17,696	14,139					
Six Years Latter	15,963	18,034	17,579	17,696						
Seven Years Latter	15,963	18,034	17,579							
Eight Years Latter	15,963	18,034								
Nine Years Latter	15,963									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ 173	$ (508)	$ (566)	$ 210	$ (447)	$ 132	$ (66)	$ 45	$ (304)	$ -

The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the fund including overhead and claims expense not allocable to individual claims.

3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.

6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.)

7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (section 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts commonly is used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Combining and Individual Fund Statements – Nonmajor Funds

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Nonmajor Special Revenue, Debt Service, Permanent and Capital Projects Funds

Debt Service

Debt Service Fund

The fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest as well as lease-purchase financing for technology improvement.

Permanent Fund

Permanent School Fund

The constitutionally established trust fund receives revenue from investments and the sale of state land and timber for distribution to school districts.

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2010
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 1,971,900	$ 611,485	$ 111,755	$ 237,632	$ 2,932,772
Investments	66,814	59,713	565,587	-	692,114
Accounts Receivable	346,267	-	5,365	-	351,632
Interfund Receivables	219,903	-	20	-	219,923
Due from Component Units	-	118,250	-	-	118,250
Accrued Investment/Interest Income	542	381	4,294	-	5,217
Federal Aid Receivable	32,554	-	-	-	32,554
Inventories	29,578	-	-	-	29,578
Loans and Notes Receivable	46,745	-	-	262	47,007
Deferred Costs	1,453	-	-	15,855	17,308
Securities Lending Collateral	4,105	-	34,617	-	38,722
Investment in Land	-	-	16,008	-	16,008
Total Assets	$ 2,719,861	$ 789,829	$ 737,646	$ 253,749	$ 4,501,085
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 361,323	$ -	$ 6	$ 43,106	$ 404,435
Interfund Payables	227,324	25,382	8,571	5,641	266,918
Due to Component Units	1,618	-	-	-	1,618
Deferred Revenue	149,575	-	-	-	149,575
Securities Lending Liabilities	4,105	-	34,617	-	38,722
Total Liabilities	$ 743,945	$ 25,382	$ 43,194	$ 48,747	$ 861,268
Fund Balances:					
Nonspendable	$ 29,578	$ -	$ 688,891	$ -	$ 718,469
Restricted	1,409,329	764,447	5,561	201,082	2,380,419
Committed	537,009	-	-	-	537,009
Assigned	-	-	-	3,920	3,920
Total Fund Balances	$ 1,975,916	$ 764,447	$ 694,452	$ 205,002	$ 3,639,817
Total Liabilities and Fund Balances	$ 2,719,861	$ 789,829	$ 737,646	$ 253,749	$ 4,501,085

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 229,958	$ -	$ -	$ -	$ 229,958
Motor Vehicle Taxes	761,458	-	-	-	761,458
Fuel Taxes	825,341	-	-	-	825,341
Other Taxes	759,858	-	-	-	759,858
Federal Revenues	582,879	-	-	-	582,879
Licenses and Fees	308,649	-	874	-	309,523
Departmental Services	124,459	-	22,832	-	147,291
Investment/Interest Income	26,638	13,163	75,243	14	115,058
Penalties and Fines	17,288	-	38	-	17,326
Securities Lending Income	24	-	218	-	242
Other Revenues	280,196	1,215	235	200	281,846
Net Revenues	$ 3,916,748	$ 14,378	$ 99,440	$ 214	$ 4,030,780
Expenditures:					
Current:					
Public Safety and Corrections	$ 179,115	$ -	$ -	$ 4,891	$ 184,006
Transportation	1,575,423	-	-	189,491	1,764,914
Agricultural, Environmental and Energy Resources	357,172	-	9,639	56,297	423,108
Economic and Workforce Development	193,174	-	-	97,003	290,177
General Education	29,539	-	22,865	6,721	59,125
Higher Education	23,400	-	-	78,125	101,525
Health and Human Services	880,141	-	-	884	881,025
General Government	65,437	83	-	9,110	74,630
Intergovernment Aid	254	-	-	-	254
Securities Lending Rebates and Fees	8	-	68	-	76
Total Current Expenditures	$ 3,303,663	$ 83	$ 32,572	$ 442,522	$ 3,778,840
Capital Outlay	377,461	-	-	181,218	558,679
Debt Service	6,430	624,959	-	5	631,394
Total Expenditures	$ 3,687,554	$ 625,042	$ 32,572	$ 623,745	$ 4,968,913
Excess of Revenues Over (Under) Expenditures	$ 229,194	$ (610,664)	$ 66,868	$ (623,531)	$ (938,133)
Other Financing Sources (Uses):					
General Obligation Bond Issuance	$ -	$ 15,000	$ -	$ 707,904	$ 722,904
Certificates of Participation Issuance	-	-	-	74,980	74,980
Refunding Bonds Sale	-	426,505	-	-	426,505
Payment to Refunded Bonds Escrow Agent	-	(426,505)	-	-	(426,505)
Bond Issue Premium	-	108,704	-	-	108,704
Certificates of Participation Premium	-	-	-	7,411	7,411
Transfers-In	183,605	509,338	20	65,135	758,098
Transfers-Out	(293,242)	-	(2,659)	(123,160)	(419,061)
Capital Leases	3,356	-	-	-	3,356
Net Other Financing Sources (Uses)	$ (106,281)	$ 633,042	$ (2,639)	$ 732,270	$ 1,256,392
Net Change in Fund Balances	$ 122,913	$ 22,378	$ 64,229	$ 108,739	$ 318,259
Fund Balances, Beginning, as Reported	$ 2,699,918	$ 742,069	$ 630,223	$ 96,263	$ 4,168,473
Change in Fund Structure	(851,291)	-	-	-	(851,291)
Fund Balances, Beginning, as Restated	$ 1,848,627	$ 742,069	$ 630,223	$ 96,263	$ 3,317,182
Change in Inventory	4,376	-	-	-	4,376
Fund Balances, Ending	$ 1,975,916	$ 764,447	$ 694,452	$ 205,002	$ 3,639,817

Nonmajor Special Revenue Funds

Trunk Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels and federal grants to plan, design, construct, and maintain the state trunk highway system.

Highway User Tax Distribution Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels to administer vehicle licensing services.

State Airports Fund

The fund uses revenue from aviation-related taxes and fees to provide technical and financial assistance to municipal airports and to promote aviation safety, planning, and regulation.

Municipal State-Aid Street Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels primarily for distribution to municipalities for improvement of streets.

County State-Aid Highway Fund

The fund receives a portion of the revenue from taxes on motor vehicles and motor fuels for distribution to counties for improvement of county roads.

Petroleum Tank Cleanup Fund

The fund receives funding from a fee imposed on petroleum distributors to reimburse responsible parties for most of their costs to clean up environmental contamination from petroleum tanks.

Nonmajor Special Revenue Funds – Cont'd.

Natural Resources Fund

The fund receives taxes from fuel used in recreational vehicles, and fees and donations that are used to fund management of the related natural resource programs.

Game and Fish Fund

The fund receives revenues from license fees and fines related to hunting and fishing which are spent for related purposes

Environmental and Remediation Fund

The fund accounts for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems. It also accounts for activities that respond to and correct releases of hazardous substances, pollutants, chemicals, and petroleum, as well as environmental actions at qualified landfill facilities.

Douglas J. Johnson Economic Protection Trust Fund

The fund receives distribution from taconite production taxes to be held in trust or expended only in economic emergency for the purposes of rehabilitation and diversification of industry in the area largely dependent on the taconite mining industry.

Endowment Fund

The fund receives gifts, donations, and endowments that may be expended only for those purposes specified by the onors.

Special Compensation Fund

The fund receives assessments on all insurers for administration of the state workers' compensation program, including enforcement; for reimbursement of certain supplemental benefits; and for payment of claims to employees of uninsured and bankrupt firms.

Health Care Access Fund

The fund receives taxes on health service providers and premiums for programs to help contain the costs of health care, make reforms in health insurance, and provide competitively-priced insurance for people unable to obtain affordable coverage

Workforce Development Fund

The fund receives special assessments levied on employers for employment and training programs.

Heritage Fund

The fund receives a portion of sales and use taxes to restore, protect, and enhance the outdoors, water quality, parks and trails, and arts and cultural heritage.

Miscellaneous Special Revenue Fund

The fund includes numerous smaller accounts whose revenues are restricted or committed to a variety of specific purposes.

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
ASSETS					
Cash and Cash Equivalents	$ 369,321	$ 19,094	$ 18,561	$ 131,988	$ 396,632
Investments	-	-	-	-	-
Accounts Receivable	16,296	79,784	716	442	1,850
Interfund Receivables	62,914	25,214	-	8,611	32,786
Accrued Investment/Interest Income	-	-	-	-	-
Federal Aid Receivable	30,552	-	-	-	-
Inventories	29,578	-	-	-	-
Loans and Notes Receivable	-	-	2,339	-	-
Deferred Costs	-	-	-	-	-
Securities Lending Collateral	-	-	-	-	-
Total Assets	$ 508,661	$ 124,092	$ 21,616	$ 141,041	$ 431,268
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 79,847	$ 1,407	$ 2,573	$ 17,962	$ 62,385
Interfund Payables	-	116,466	-	-	-
Due to Component Units	-	-	-	-	-
Deferred Revenue	5,241	5,834	-	2	-
Securities Lending Liabilities	-	-	-	-	-
Total Liabilities	$ 85,088	$ 123,707	$ 2,573	$ 17,964	$ 62,385
Fund Balances:					
Nonspendable	$ 29,578	$ -	$ -	$ -	$ -
Restricted	393,995	385	19,043	123,077	368,883
Committed	-	-	-	-	-
Total Fund Balances	$ 423,573	$ 385	$ 19,043	$ 123,077	$ 368,883
Total Liabilities and Fund Balances	$ 508,661	$ 124,092	$ 21,616	$ 141,041	$ 431,268

PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL	REMEDIATION	ENVIRONMENTAL AND REMEDIATION
$ 18,473	$ 38,156	$ 36,356	$ -	$ -	$ -	$ 75,443
-	-	5,778	-	-	-	530
-	2,988	380	-	-	-	12,969
6,697	15,368	953	-	-	-	12,309
-	-	31	-	-	-	-
-	-	2,002	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	932
-	-	-	-	-	-	-
-	-	345	-	-	-	30
$ 25,170	$ 56,512	$ 45,845	$ -	$ -	$ -	$ 102,213
$ 3,209	$ 4,622	$ 8,193	$ -	$ -	$ -	$ 6,990
1,330	20	384	-	-	-	-
-	432	4	-	-	-	-
1	1,096	51	-	-	-	7,295
-	-	345	-	-	-	30
$ 4,540	$ 6,170	$ 8,977	$ -	$ -	$ -	$ 14,315
$ -	$ -	$ -	$ -	$ -	$ -	$ -
20,630	-	36,868	-	-	-	87,898
-	50,342	-	-	-	-	-
$ 20,630	$ 50,342	$ 36,868	$ -	$ -	$ -	$ 87,898
$ 25,170	$ 56,512	$ 45,845	$ -	$ -	$ -	$ 102,213

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2010
(IN THOUSANDS)

	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
ASSETS					
Cash and Cash Equivalents	$ -	$ 64,414	$ 137,591	$ 15,697	$ -
Investments	-	59,555	-	951	-
Accounts Receivable	-	2,152	62	287	-
Interfund Receivables	-	-	22,161	-	-
Accrued Investment/Interest Income	-	505	-	6	-
Federal Aid Receivable	-	-	-	-	-
Inventories	-	-	-	-	-
Loans and Notes Receivable	-	43,474	-	-	-
Deferred Costs	-	-	1,453	-	-
Securities Lending Collateral	-	3,681	-	49	-
Total Assets	$ -	$ 173,781	$ 161,267	$ 16,990	$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ -	$ 579	$ 9,739	$ 750	$ -
Interfund Payables	-	-	-	30	-
Due to Component Units	-	-	340	-	-
Deferred Revenue	-	-	-	-	-
Securities Lending Liabilities	-	3,681	-	49	-
Total Liabilities	$ -	$ 4,260	$ 10,079	$ 829	$ -
Fund Balances:					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	151,188	16,161	-
Committed	-	169,521	-	-	-
Total Fund Balances	$ -	$ 169,521	$ 151,188	$ 16,161	$ -
Total Liabilities and Fund Balances	$ -	$ 173,781	$ 161,267	$ 16,990	$ -

SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ 30,129	$ 287,988	$ -	$ 15,930	$ 316,127	$ 1,971,900
-	-	-	-	-	66,814
110,798	97,068	-	15,392	5,083	346,267
-	-	-	23	32,867	219,903
-	-	-	-	-	542
-	-	-	-	-	32,554
-	-	-	-	-	29,578
-	-	-	-	-	46,745
-	-	-	-	-	1,453
-	-	-	-	-	4,105
$ 140,927	$ 385,056	$ -	$ 31,345	$ 354,077	$ 2,719,861
$ 9,646	$ 83,888	$ -	$ 3,286	$ 66,247	$ 361,323
-	52,647	-	-	56,447	227,324
-	40	-	-	802	1,618
111,834	4,766	-	558	12,897	149,575
-	-	-	-	-	4,105
$ 121,480	$ 141,341	$ -	$ 3,844	$ 136,393	$ 743,945
$ -	$ -	$ -	$ -	$ -	$ 29,578
19,447	-	-	27,501	144,253	1,409,329
-	243,715	-	-	73,431	537,009
$ 19,447	$ 243,715	$ -	$ 27,501	$ 217,684	$ 1,975,916
$ 140,927	$ 385,056	$ -	$ 31,345	$ 354,077	$ 2,719,861

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET	COUNTY STATE-AID HIGHWAY
Net Revenues:					
Sales Taxes	$ -	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	437,191	5,356	13,842	63,463	241,606
Fuel Taxes	471,928	2,003	3,329	68,505	260,802
Other Taxes	-	-	-	-	-
Federal Revenues	542,828	-	-	256	432
Licenses and Fees	3,298	4,247	652	-	-
Departmental Services	1,686	-	-	-	-
Investment/Interest Income	2,632	164	143	1,124	3,186
Penalties and Fines	6	419	-	-	-
Securities Lending Income	-	-	-	-	-
Other Revenues	22,366	439	-	-	-
Net Revenues	$ 1,481,935	$ 12,628	$ 17,966	$ 133,348	$ 506,026
Expenditures:					
Current:					
Public Safety and Corrections	$ 84,670	$ 8,002	$ -	$ -	$ -
Transportation	935,803	23	15,273	134,744	457,975
Agricultural, Environmental and Energy Resources	-	-	-	-	-
Economic and Workforce Development	-	-	-	-	-
General Education	-	-	-	-	-
Higher Education	-	-	-	-	-
Health and Human Services	-	-	-	-	-
General Government	393	2,058	-	-	-
Intergovernment Aid	-	-	-	-	-
Securities Lending Rebates and Fees	-	-	-	-	-
Total Current Expenditures	$ 1,020,866	$ 10,083	$ 15,273	$ 134,744	$ 457,975
Capital Outlay	357,383	-	-	-	-
Debt Service	4,097	30	-	-	-
Total Expenditures	$ 1,382,346	$ 10,113	$ 15,273	$ 134,744	$ 457,975
Excess of Revenues Over (Under) Expenditures	$ 99,589	$ 2,515	$ 2,693	$ (1,396)	$ 48,051
Other Financing Sources (Uses):					
Transfers-In	$ 9,034	$ -	$ -	$ -	$ 1
Transfers-Out	(70,594)	(2,205)	-	-	-
Capital Leases	2,253	-	-	-	-
Net Other Financing Sources (Uses)	$ (59,307)	$ (2,205)	$ -	$ -	$ 1
Net Change in Fund Balances	$ 40,282	$ 310	$ 2,693	$ (1,396)	$ 48,052
Fund Balances, Beginning, as Reported	$ 378,915	$ 75	$ 16,350	$ 124,473	$ 320,831
Change in Fund Structure	-	-	-	-	-
Fund Balances, Beginning, as Restated	$ 378,915	$ 75	$ 16,350	$ 124,473	$ 320,831
Change in Inventory	4,376	-	-	-	-
Fund Balances, Ending	$ 423,573	$ 385	$ 19,043	$ 123,077	$ 368,883

PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENT AND NATURAL RESOURCES	ENVIRON-MENTAL	REMEDIATION	ENVIRONMENTAL AND REMEDIATION
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	18,774	-	-	-	-	-
-	-	-	-	-	-	48,465
-	238	26,213	-	-	-	-
13,094	20,408	56,704	-	-	-	33,151
-	20,975	2,053	-	-	-	93
229	124	969	-	-	-	6,173
-	88	267	-	-	-	2,369
-	-	3	-	-	-	-
85	3,035	234	-	-	-	14,551
$ 13,408	$ 63,642	$ 86,443	$ -	$ -	$ -	$ 104,802
$ -	$ -	$ -	$ -	$ -	$ -	$ 69
-	4,804	-	-	-	-	-
4,951	66,235	94,258	-	-	-	99,435
4,529	-	-	-	-	-	1,114
-	160	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	266
-	-	-	-	-	-	488
-	-	-	-	-	-	-
-	-	1	-	-	-	-
$ 9,480	$ 71,199	$ 94,259	$ -	$ -	$ -	$ 101,372
-	1,025	4,042	-	-	-	-
-	-	-	-	-	-	-
$ 9,480	$ 72,224	$ 98,301	$ -	$ -	$ -	$ 101,372
$ 3,928	$ (8,582)	$ (11,858)	$ -	$ -	$ -	$ 3,430
$ 920	$ 14,698	$ 12,630	$ -	$ -	$ -	$ 7,559
(12,024)	(29)	(1,801)	-	-	-	(920)
-	-	-	-	-	-	-
$ (11,104)	$ 14,669	$ 10,829	$ -	$ -	$ -	$ 6,639
$ (7,176)	$ 6,087	$ (1,029)	$ -	$ -	$ -	$ 10,069
$ 27,806	$ 44,255	$ 37,897	$ 436,124	$ 19,240	$ 58,589	$ -
-	-	-	(436,124)	(19,240)	(58,589)	77,829
$ 27,806	$ 44,255	$ 37,897	$ -	$ -	$ -	$ 77,829
-	-	-	-	-	-	-
$ 20,630	$ 50,342	$ 36,868	$ -	$ -	$ -	$ 87,898

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	IRON RANGE RESOURCES & REHABILITATION	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	MAXIMUM EFFORT SCHOOL LOAN
Net Revenues:					
Sales Taxes	$ -	$ -	$ 229,958	$ -	$ -
Motor Vehicle Taxes	-	-	-	-	-
Fuel Taxes	-	-	-	-	-
Other Taxes	-	4,260	-	-	-
Federal Revenues	-	-	-	-	-
Licenses and Fees	-	-	-	-	-
Departmental Services	-	140	-	-	-
Investment/Interest Income	-	8,178	348	192	-
Penalties and Fines	-	-	-	-	-
Securities Lending Income	-	21	-	-	-
Other Revenues	-	63	-	11,607	-
Net Revenues	$ -	$ 12,662	$ 230,306	$ 11,799	$ -
Expenditures:					
Current:					
Public Safety and Corrections	$ -	$ -	$ -	$ 170	$ -
Transportation	-	-	898	-	-
Agricultural, Environmental and Energy Resources	-	-	39,667	4,932	-
Economic and Workforce Development	-	3,934	2,202	1,441	-
General Education	-	-	8,385	1,399	-
Higher Education	-	-	1,150	-	-
Health and Human Services	-	-	361	408	-
General Government	-	-	20,952	486	-
Intergovernment Aid	-	-	-	-	-
Securities Lending Rebates and Fees	-	7	-	-	-
Total Current Expenditures	$ -	$ 3,941	$ 73,615	$ 8,836	$ -
Capital Outlay	-	-	3,553	3,976	-
Debt Service	-	697	-	-	-
Total Expenditures	$ -	$ 4,638	$ 77,168	$ 12,812	$ -
Excess of Revenues Over (Under) Expenditures	$ -	$ 8,024	$ 153,138	$ (1,013)	$ -
Other Financing Sources (Uses):					
Transfers-In	$ -	$ 1,145	$ -	$ -	$ -
Transfers-Out	-	-	(1,950)	(30)	-
Capital Leases	-	-	-	-	-
Net Other Financing Sources (Uses)	$ -	$ 1,145	$ (1,950)	$ (30)	$ -
Net Change in Fund Balances	$ -	$ 9,169	$ 151,188	$ (1,043)	$ -
Fund Balances, Beginning, as Reported	$ 74,336	$ 160,352	$ -	$ 17,204	$ 72,651
Change in Fund Structure	(74,336)	-	-	-	(72,651)
Fund Balances, Beginning, as Restated	$ -	$ 160,352	$ -	$ 17,204	$ -
Change in Inventory	-	-	-	-	-
Fund Balances, Ending	$ -	$ 169,521	$ 151,188	$ 16,161	$ -

SPECIAL COMPENSATION	HEALTH CARE ACCESS	MEDICAL EDUCATION AND RESEARCH	WORKFORCE DEVELOPMENT	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ -	$ 229,958
-	-	-	-	-	761,458
-	-	-	-	-	825,341
91,304	534,495	-	50,071	31,263	759,858
-	-	-	-	12,912	582,879
73	-	-	-	177,022	308,649
859	806	-	-	97,847	124,459
256	2,048	-	176	696	26,638
5,077	-	-	-	9,062	17,288
-	-	-	-	-	24
1,337	7,161	-	50	219,268	280,196
$ 98,906	$ 544,510	$ -	$ 50,297	$ 548,070	$ 3,916,748
$ -	$ -	$ -	$ -	$ 86,204	$ 179,115
-	-	-	-	25,903	1,575,423
-	-	-	-	47,694	357,172
95,304	2	-	52,204	32,444	193,174
-	-	-	-	19,595	29,539
-	-	-	-	22,250	23,400
-	541,121	-	-	337,985	880,141
6,768	1,784	-	-	32,508	65,437
-	-	-	-	254	254
-	-	-	-	-	8
$ 102,072	$ 542,907	$ -	$ 52,204	$ 604,837	$ 3,303,663
-	-	-	-	7,482	377,461
-	623	-	-	983	6,430
$ 102,072	$ 543,530	$ -	$ 52,204	$ 613,302	$ 3,687,554
$ (3,166)	$ 980	$ -	$ (1,907)	$ (65,232)	$ 229,194
$ -	$ -	$ -	$ 1,450	$ 136,168	$ 183,605
(1,425)	(89,083)	-	(4,100)	(109,081)	(293,242)
-	-	-	-	1,103	3,356
$ (1,425)	$ (89,083)	$ -	$ (2,650)	$ 28,190	$ (106,281)
$ (4,591)	$ (88,103)	$ -	$ (4,557)	$ (37,042)	$ 122,913
$ 24,038	$ 331,818	$ 24,009	$ 32,058	$ 498,897	$ 2,699,918
-	-	(24,009)	-	(244,171)	(851,291)
$ 24,038	$ 331,818	$ -	$ 32,058	$ 254,726	$ 1,848,627
-	-	-	-	-	4,376
$ 19,447	$ 243,715	$ -	$ 27,501	$ 217,684	$ 1,975,916

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS

YEAR ENDED JUNE 30, 2010

(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	752,471	752,471
Fuel Taxes	-	-	823,386	823,386
Other Taxes	-	-	-	-
Federal Revenues	507,316	472,788	-	-
Departmental Services/Licenses and Fees	10,224	11,036	-	-
Investment/Interest Income	2,800	2,421	500	382
Other Revenues	58,933	26,769	1,039	1,000
Net Revenues	$ 579,273	$ 513,014	$ 1,577,396	$ 1,577,239
Expenditures:				
Public Safety and Corrections	$ 88,115	$ 83,817	$ 8,087	$ 7,987
Transportation	1,388,312	1,226,363	511	511
Agricultural, Environmental and Energy Resources	-	-	-	-
Economic and Workforce Development	-	-	-	-
Higher Education	-	-	-	-
General Education	-	-	-	-
Health and Human Services	-	-	-	-
General Government	800	311	2,308	2,038
Intergovernment Aid	-	-	30	30
Total Expenditures	$ 1,477,227	$ 1,310,491	$ 10,936	$ 10,566
Excess of Revenues Over (Under) Expenditures	$ (897,954)	$ (797,477)	$ 1,566,460	$ 1,566,673
Other Financing Sources (Uses):				
Transfers-In	$ 907,076	$ 916,332	$ -	$ -
Transfers-Out	(70,594)	(70,594)	(1,566,265)	(1,566,265)
Net Other Financing Sources (Uses)	$ 836,482	$ 845,738	$ (1,566,265)	$ (1,566,265)
Net Change in Fund Balances	$ (61,472)	$ 48,261	$ 195	$ 408
Fund Balances, Beginning, as Reported	$ 90,355	$ 90,355	$ 281	$ 281
Prior Period Adjustments	-	16,816	-	3
Fund Balances, Beginning, as Restated	$ 90,355	$ 107,171	$ 281	$ 284
Fund Balances, Ending	$ 28,883	$ 155,432	$ 476	$ 692
Less Appropriation Carryover	-	137,546	-	370
Less Long-term Receivables	-	-	-	-
Undesignated Fund Balances, Ending	$ 28,883	$ 17,886	$ 476	$ 322

STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
3,100	3,375	-	-	-	-
14,005	13,843	-	-	11,765	11,722
-	-	-	-	873	238
510	655	20,006	13,093	40,065	41,295
180	143	900	230	238	124
300	294	73	89	1,732	1,418
$ 18,095	$ 18,310	$ 20,979	$ 13,412	$ 54,673	$ 54,797
$ -	$ -	$ -	$ -	$ -	$ -
22,727	21,598	-	-	5,070	5,070
-	-	7,951	7,547	84,110	74,648
-	-	2,768	2,768	-	-
-	-	-	-	-	-
-	-	-	-	160	160
-	-	-	-	-	-
229	-	-	-	-	-
-	-	-	-	-	-
$ 22,956	$ 21,598	$ 10,719	$ 10,315	$ 89,340	$ 79,878
$ (4,861)	$ (3,288)	$ 10,260	$ 3,097	$ (34,667)	$ (25,081)
$ -	$ -	$ 920	$ 920	$ 28,731	$ 28,894
-	-	(12,024)	(12,024)	(2,731)	(2,731)
$ -	$ -	$ (11,104)	$ (11,104)	$ 26,000	$ 26,163
$ (4,861)	$ (3,288)	$ (844)	$ (8,007)	$ (8,667)	$ 1,082
$ 10,252	$ 10,252	$ 22,398	$ 22,398	$ 26,400	$ 26,400
-	378	-	4,371	-	1,806
$ 10,252	$ 10,630	$ 22,398	$ 26,769	$ 26,400	$ 28,206
$ 5,391	$ 7,342	$ 21,554	$ 18,762	$ 17,733	$ 29,288
-	3,161	-	8,021	-	13,738
-	2,339	-	-	-	-
$ 5,391	$ 1,842	$ 21,554	$ 10,741	$ 17,733	$ 15,550

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED

YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	11,764	11,722	46,949	48,189
Federal Revenues	28,325	26,213	-	-
Departmental Services/Licenses and Fees	56,692	58,909	36,103	33,498
Investment/Interest Income	417	262	434	285
Other Revenues	403	460	17,041	16,944
Net Revenues	$ 97,601	$ 97,566	$ 100,527	$ 98,916
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ 69	$ 69
Transportation	-	-	-	-
Agricultural, Environmental and Energy Resources	100,875	93,766	105,683	102,269
Economic and Workforce Development	-	-	700	700
Higher Education	-	-	-	-
General Education	-	-	-	-
Health and Human Services	-	-	385	266
General Government	-	-	698	435
Intergovernment Aid	-	-	109	-
Total Expenditures	$ 100,875	$ 93,766	$ 107,644	$ 103,739
Excess of Revenues Over (Under) Expenditures	$ (3,274)	$ 3,800	$ (7,117)	$ (4,823)
Other Financing Sources (Uses):				
Transfers-In	$ 885	$ 885	$ 9,420	$ 7,559
Transfers-Out	(1,808)	(1,808)	(3,924)	(3,924)
Net Other Financing Sources (Uses)	$ (923)	$ (923)	$ 5,496	$ 3,635
Net Change in Fund Balances	$ (4,197)	$ 2,877	$ (1,621)	$ (1,188)
Fund Balances, Beginning, as Reported	$ 28,591	$ 28,591	$ 26,121	$ 26,121
Prior Period Adjustments	-	539	-	2,927
Fund Balances, Beginning, as Restated	$ 28,591	$ 29,130	$ 26,121	$ 29,048
Fund Balances, Ending	$ 24,394	$ 32,007	$ 24,500	$ 27,860
Less Appropriation Carryover	-	8,327	-	20,042
Less Long-term Receivables	-	-	-	932
Undesignated Fund Balances, Ending	$ 24,394	$ 23,680	$ 24,500	$ 6,886

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 227,280	$ 229,957	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	97,094	94,772	531,000	523,640
-	-	-	-	-	-
-	-	846	4,171	-	-
170	348	2,927	448	2,101	2,047
-	-	-	-	7,901	8,681
$ 227,450	$ 230,305	$ 100,867	$ 99,391	$ 541,002	$ 534,368
$ -	$ -	$ -	$ -	$ -	$ -
13,041	1,061	-	-	-	-
136,898	102,916	751	610	-	-
13,441	4,701	96,527	95,137	1,000	2
1,150	1,150	-	-	-	-
14,311	9,271	-	-	-	-
1,645	362	-	-	645,716	513,763
30,762	25,229	7,350	6,914	49,939	49,733
-	-	-	-	622	622
$ 211,248	$ 144,690	$ 104,628	$ 102,661	$ 697,277	$ 564,120
$ 16,202	$ 85,615	$ (3,761)	$ (3,270)	$ (156,275)	$ (29,752)
$ -	$ -	$ -	$ -	$ -	$ -
(1,950)	(1,950)	(1,425)	(1,425)	(39,672)	(39,672)
$ (1,950)	$ (1,950)	$ (1,425)	$ (1,425)	$ (39,672)	$ (39,672)
$ 14,252	$ 83,665	$ (5,186)	$ (4,695)	$ (195,947)	$ (69,424)
$ -	$ -	$ 26,509	$ 26,509	$ 291,896	$ 291,896
-	-	-	169	-	248
$ -	$ -	$ 26,509	$ 26,678	$ 291,896	$ 292,144
$ 14,252	$ 83,665	$ 21,323	$ 21,983	$ 95,949	$ 222,720
-	64,167	-	3,859	-	25,751
-	-	-	-	-	-
$ 14,252	$ 19,498	$ 21,323	$ 18,124	$ 95,949	$ 196,969

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS - CONTINUED
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ 227,280	$ 229,957
Motor Vehicle Taxes	-	-	752,471	752,471
Fuel Taxes	-	-	826,486	826,761
Other Taxes	47,472	45,540	760,049	749,428
Federal Revenues	-	-	536,514	499,239
Departmental Services/Licenses and Fees	-	-	164,446	162,657
Investment/Interest Income	800	176	11,467	6,866
Other Revenues	-	-	87,422	55,655
Net Revenues	$ 48,272	$ 45,716	$ 3,366,135	$ 3,283,034
Expenditures:				
Public Safety and Corrections	$ -	$ -	$ 96,271	$ 91,873
Transportation	-	-	1,429,661	1,254,603
Agricultural and Environmental Resources	-	-	436,268	381,756
Economic and Workforce Development	47,806	47,141	162,242	150,449
Higher Education	-	-	1,150	1,150
General Education	-	-	14,471	9,431
Health and Human Services	-	-	647,746	514,391
General Government	-	-	92,086	84,660
Intergovernment Aid	-	-	761	652
Total Expenditures	$ 47,806	$ 47,141	$ 2,880,656	$ 2,488,965
Excess of Revenues Over (Under) Expenditures	$ 466	$ (1,425)	$ 485,479	$ 794,069
Other Financing Sources (Uses):				
Transfers-In	$ 1,450	$ 1,450	$ 948,482	$ 956,040
Transfers-Out	(2,500)	(2,500)	(1,702,893)	(1,702,893)
Net Other Financing Sources (Uses)	$ (1,050)	$ (1,050)	$ (754,411)	$ (746,853)
Net Change in Fund Balances	$ (584)	$ (2,475)	$ (268,932)	$ 47,216
Fund Balances, Beginning, as Reported	$ 677	$ 677	$ 523,480	$ 523,480
Prior Period Adjustments	-	5,102	-	32,359
Fund Balances, Beginning, as Restated	$ 677	$ 5,779	$ 523,480	$ 555,839
Fund Balances, Ending	$ 93	$ 3,304	$ 254,548	$ 603,055
Less Appropriation Carryover	-	3,304	-	288,286
Less Long-term Receivables	-	-	-	3,271
Undesignated Fund Balances, Ending	$ 93	$ -	$ 254,548	$ 311,498

Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgetary Basis

Year Ended June 30, 2010
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

Actual revenues, transfers-in, expenditures, encumbrances, and transfers-out on the budgetary basis do not equal those on the GAAP basis in the Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Nonmajor Appropriated Special Revenue Fund - Budget and Actual. This inequality results primarily from the differences in the recognition of accruals, reimbursements, deferred revenue, and intrafund transactions, and from the budgetary basis of accounting for encumbrances. On the budgetary basis, encumbrances are recognized as expenditures in the year encumbered. The modified accrual basis of accounting recognizes expenditures when the goods or services are received, regardless of the year funds are encumbered. A reconciliation of the fund balances under the two bases of accounting for the Nonmajor Appropriated Special Revenue Funds is provided in the following table.

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental & Remediation	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	$ 423,573	$ 385	$ 19,043	$ 20,630	$ 50,342	$ 36,868	$ 87,898	$ 151,188	$ 19,447	$ 243,715	$ 27,501
Less: Nonspendable Inventory	29,578	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	393,995	38	12,005	3,236	6,013	3,780	6,163	65,888	429	2,719	9,389
Undesignated Fund Balances	$ -	$ 347	$ 7,038	$ 17,394	$ 44,329	$ 33,088	$ 81,735	$ 85,300	$ 19,018	$ 240,996	$ 18,112
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ -	$ (57,418)	$ (390)	$ -	$ -	$ -	$ (5,536)	$ -	$ (91,768)	$ (95,134)	$ (15,366)
Human Services Receivable	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	5,241	5,834	-	1	1,096	51	7,295	-	111,834	4,766	558
Other Receivables	(40,399)	(286)	-	(1)	(2,242)	(314)	(7,037)	(1,635)	(18,664)	(180)	-
Investments at Market	-	-	-	-	-	(818)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	70,629	-
Other Payables	-	963	694	1,368	-	-	-	-	1,563	488	-
Other Financing Sources (Uses):											
Transfers-In	(38,902)	(24,725)	-	-	(13,895)	-	-	-	-	-	-
Transfers-Out	-	75,977	-	-	-	-	-	-	-	1,155	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(48,597)	-	-	-	-
Long-Term Receivables	-	-	(2,339)	-	-	-	(932)	-	-	-	-
Long-Term Commitments	229,492	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(137,546)	(370)	(3,161)	(8,021)	(13,738)	(8,327)	(20,042)	(64,167)	(3,859)	(25,751)	(3,304)
Budgetary Basis Undesignated Fund Balances	$ 17,886	$ 322	$ 1,842	$ 10,741	$ 15,550	$ 23,680	$ 6,886	$ 19,498	$ 18,124	$ 196,969	$ -

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Nonmajor Capital Projects Funds

Building Fund

The fund receives revenue from the sale of certificates of participation and state bonds to finance technology development and to provide funds for the acquisition, maintenance, and betterment of state and local lands and buildings.

General Projects Fund

The fund receives monies appropriated from the General Fund for building, maintenance, or capital improvement projects.

Transportation Fund

The fund receives transportation bond proceeds, General Fund appropriations, and federal grants for the construction or reconstruction of state and locally-owned bridges.

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 202,946	$ 4,182	$ 30,504	$ 237,632
Loans and Notes Receivable	262	-	-	262
Deferred Costs	15,855	-	-	15,855
Total Assets	$ 219,063	$ 4,182	$ 30,504	$ 253,749
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 27,505	$ 262	$ 15,339	$ 43,106
Interfund Payables	2,214	-	3,427	5,641
Total Liabilities	$ 29,719	$ 262	$ 18,766	$ 48,747
Fund Balances:				
Restricted for Capital Projects	$ 189,344	$ -	$ 11,738	$ 201,082
Assigned for Capital Projects	-	3,920	-	3,920
Total Fund Balances	$ 189,344	$ 3,920	$ 11,738	$ 205,002
Total Liabilities and Fund Balances	$ 219,063	$ 4,182	$ 30,504	$ 253,749

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 14	$ -	$ -	$ 14
Other Revenues	200	-	-	200
Net Revenues	$ 214	$ -	$ -	$ 214
Expenditures:				
Current:				
Public Safety and Corrections	$ 4,891	$ -	$ -	$ 4,891
Transportation	85,434	106	103,951	189,491
Agricultural, Environmental and Energy Resources	51,246	5,051	-	56,297
Economic and Workforce Development	96,982	21	-	97,003
General Education	6,721	-	-	6,721
Higher Education	78,125	-	-	78,125
Health and Human Services	884	-	-	884
General Government	9,090	12	8	9,110
Total Current Expenditures	$ 333,373	$ 5,190	$ 103,959	$ 442,522
Capital Outlay	117,998	-	63,220	181,218
Debt Service	5	-	-	5
Total Expenditures	$ 451,376	$ 5,190	$ 167,179	$ 623,745
Excess of Revenues Over (Under) Expenditures	$ (451,162)	$ (5,190)	$ (167,179)	$ (623,531)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ 579,904	$ -	$ 128,000	$ 707,904
Certificates of Participation Issuance	74,980	-	-	74,980
Certificates of Participation Premium	7,411	-	-	7,411
Transfers-In	65,135	-	-	65,135
Transfers-Out	(122,605)	(351)	(204)	(123,160)
Net Other Financing Sources (Uses)	$ 604,825	$ (351)	$ 127,796	$ 732,270
Net Change in Fund Balances	$ 153,663	$ (5,541)	$ (39,383)	$ 108,739
Fund Balances, Beginning, as Reported	$ 35,681	$ 9,461	$ 51,121	$ 96,263
Fund Balances, Ending	$ 189,344	$ 3,920	$ 11,738	$ 205,002

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Nonmajor Enterprise Funds

Behavioral Services Fund

The fund accounts for the activity of state regional treatment centers for chemical dependency treatment services and for the activity of state neurorehabilitation services.

Enterprise Activities Fund

The fund includes various minor activities providing services to the general public or local governmental units.

Giants Ridge Fund

The fund accounts for a recreation area established to foster economic development and tourism within St. Louis County.

Minnesota Correctional Industries Fund

The fund accounts for the activity of state correctional industries which facilitates offender rehabilitation by providing facilities and assistance for manufacturing and marketing goods primarily to governmental entities.

911 Services Fund

The fund accounts for activities related to the enhancement of the state's 911 emergency response system.

Public Employees Insurance Fund

The fund provides hospital, medical, and dental benefit coverage as well as life insurance coverage to public employees and other eligible persons.

State Lottery Fund

The fund accounts for the operations of the state lottery. Forty percent (40%) of the net proceeds are transferred to the Environment and Natural Resources Fund, with the remainder transferred to the General Fund.

State Operated Community Services Fund

The fund accounts for waiver residential and day treatment and rehabilitation services for individuals with developmental disabilities.

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,924	$ 10,614	$ 4,773	$ 17,507
Accounts Receivable	4,304	2,713	202	3,170
Interfund Receivables	-	-	-	-
Accrued Investment/Interest Income	-	-	17	-
Inventories	-	700	207	4,573
Deferred Costs	-	2	-	-
Other Assets	-	-	1,427	341
Total Current Assets	$ 6,228	$ 14,029	$ 6,626	$ 25,591
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 1,600	$ -
Depreciable Capital Assets (Net)	1,238	1,062	19,776	4,591
Nondepreciable Capital Assets	-	3	1,489	-
Total Noncurrent Assets	$ 1,238	$ 1,065	$ 22,865	$ 4,591
Total Assets	$ 7,466	$ 15,094	$ 29,491	$ 30,182
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,849	$ 7,329	$ 468	$ 1,428
Interfund Payables	2,355	-	-	-
Unearned Revenue	-	16	54	-
Accrued Bond Interest Payable	-	-	139	-
General Obligation Bonds Payable	-	-	-	-
Revenue Bonds Payable	-	-	825	-
Capital Leases	-	-	63	-
Compensated Absences Payable	271	42	28	76
Other Liabilities	-	-	-	47
Total Current Liabilities	$ 6,475	$ 7,387	$ 1,577	$ 1,551
Noncurrent Liabilities:				
General Obligation Bonds Payable	$ -	$ -	$ -	$ -
Revenue Bonds Payable	-	-	10,485	-
Capital Leases	-	-	133	-
Compensated Absences Payable	1,684	476	170	738
Other Liabilities	251	54	-	29
Total Noncurrent Liabilities	$ 1,935	$ 530	$ 10,788	$ 767
Total Liabilities	$ 8,410	$ 7,917	$ 12,365	$ 2,318
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 1,238	$ 1,065	$ 11,248	$ 4,591
Restricted for:				
Health and Human Services	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	5,878	-
Other Purposes	-	6,112	-	23,273
Total Restricted	$ -	$ 6,112	$ 5,878	$ 23,273
Unrestricted	(2,182)	-	-	-
Total Net Assets	$ (944)	$ 7,177	$ 17,126	$ 27,864

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 35,949	$ 9,933	$ 13,994	$ 22,394	$ 117,088
5,079	499	7,556	2,985	26,508
-	-	-	2,355	2,355
-	-	-	-	17
-	-	1,376	-	6,856
-	-	451	-	453
-	-	-	150	1,918
$ 41,028	$ 10,432	$ 23,377	$ 27,884	$ 155,195
$ -	$ -	$ -	$ -	$ 1,600
53,630	-	2,266	3,003	85,566
900	-	-	786	3,178
$ 54,530	$ -	$ 2,266	$ 3,789	$ 90,344
$ 95,558	$ 10,432	$ 25,643	$ 31,673	$ 245,539
$ 1,304	$ 2,454	$ 9,671	$ 4,545	$ 31,048
57	-	14,132	-	16,544
-	1,070	301	-	1,441
429	-	-	-	568
-	-	-	295	295
12,100	-	-	-	12,925
-	-	-	77	140
61	4	147	694	1,323
-	-	-	-	47
$ 13,951	$ 3,528	$ 24,251	$ 5,611	$ 64,331
$ -	$ -	$ -	$ 2,058	$ 2,058
111,232	-	-	-	121,717
-	-	-	400	533
407	34	1,286	5,639	10,434
-	2	106	709	1,151
$ 111,639	$ 36	$ 1,392	$ 8,806	$ 135,893
$ 125,590	$ 3,564	$ 25,643	$ 14,417	$ 200,224
$ -	$ -	$ 2,266	$ 959	$ 21,367
$ -	$ -	$ -	$ 16,297	$ 16,297
-	-	-	-	5,878
-	6,868	-	-	36,253
$ -	$ 6,868	$ -	$ 16,297	$ 58,428
(30,032)	-	(2,266)	-	(34,480)
$ (30,032)	$ 6,868	$ -	$ 17,256	$ 45,315

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ -	$ 2,643	$ 3,725	$ 35,490
Rental and Service Fees	22,525	12,471	130	-
Insurance Premiums	-	-	-	-
Other Income	4	-	228	1,927
Total Operating Revenues	$ 22,529	$ 15,114	$ 4,083	$ 37,417
Less: Cost of Goods Sold	-	1,188	-	15,537
Gross Margin	$ 22,529	$ 13,926	$ 4,083	$ 21,880
Operating Expenses:				
Purchased Services	$ 3,409	$ 2,078	$ 2,571	$ 4,696
Salaries and Fringe Benefits	19,365	4,975	2,816	9,418
Claims	-	-	-	-
Depreciation	173	135	1,159	819
Amortization	-	-	71	-
Supplies and Materials	261	173	247	843
Indirect Costs	2,022	194	-	837
Other Expenses	2,080	-	184	3,316
Total Operating Expenses	$ 27,310	$ 7,555	$ 7,048	$ 19,929
Operating Income (Loss)	$ (4,781)	$ 6,371	$ (2,965)	$ 1,951
Nonoperating Revenues (Expenses):				
Investment Income	$ 10	$ -	$ 101	$ 155
Other Nonoperating Revenues	-	-	-	-
Interest and Financing Costs	-	-	(856)	-
Grants, Aids and Subsidies	-	-	-	-
Other Nonoperating Expenses	-	(6,697)	(29)	-
Gain (Loss) on Disposal of Capital Assets	-	11	-	17
Total Nonoperating Revenues (Expenses)	$ 10	$ (6,686)	$ (784)	$ 172
Income (Loss) Before Transfers & Contributions	$ (4,771)	$ (315)	$ (3,749)	$ 2,123
Capital Contributions	-	8	-	-
Transfers-In	-	1,427	4,547	-
Transfers-Out	-	-	-	(1,574)
Change in Net Assets	$ (4,771)	$ 1,120	$ 798	$ 549
Net Assets, Beginning, as Reported	$ 3,827	$ 6,057	$ 16,328	$ 27,315
Prior Period Adjustment	-	-	-	-
Net Assets, Beginning, as Restated	$ 3,827	$ 6,057	$ 16,328	$ 27,315
Net Assets, Ending	$ (944)	$ 7,177	$ 17,126	$ 27,864

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ -	$ -	$ 499,271	$ -	$ 541,129
60,229	-	-	81,381	176,736
-	24,611	-	-	24,611
-	443	-	1,022	3,624
$ 60,229	$ 25,054	$ 499,271	$ 82,403	$ 746,100
-	-	351,471	-	368,196
$ 60,229	$ 25,054	$ 147,800	$ 82,403	$ 377,904
$ 949	$ 4,537	$ 12,426	$ 4,996	$ 35,662
4,549	153	10,974	67,017	119,267
-	18,564	-	-	18,564
5,707	-	740	1,280	10,013
-	-	-	-	71
1,748	-	875	1,797	5,944
44	1	-	3,542	6,640
-	29	539	1,933	8,081
$ 12,997	$ 23,284	$ 25,554	$ 80,565	$ 204,242
$ 47,232	$ 1,770	$ 122,246	$ 1,838	$ 173,662
$ 274	$ 68	$ 266	$ 166	$ 1,040
-	-	34	-	34
(4,227)	-	-	(188)	(5,271)
(14,700)	-	-	-	(14,700)
-	-	-	-	(6,726)
-	-	-	25	53
$ (18,653)	$ 68	$ 300	$ 3	$ (25,570)
$ 28,579	$ 1,838	$ 122,546	$ 1,841	$ 148,092
743	-	-	-	751
-	-	-	-	5,974
(65,818)	-	(122,546)	-	(189,938)
$ (36,496)	$ 1,838	$ -	$ 1,841	$ (35,121)
$ (37,095)	$ 5,030	$ -	$ 15,415	$ 36,877
43,559	-	-	-	43,559
$ 6,464	$ 5,030	$ -	$ 15,415	$ 80,436
$ (30,032)	$ 6,868	$ -	$ 17,256	$ 45,315

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 29,009	$ 14,815	$ 4,001	$ 36,727
Receipts from Other Revenues	4	1	-	1,927
Payments to Claimants	-	-	-	-
Payments to Suppliers	(8,104)	(2,788)	(3,186)	(26,909)
Payments to Employees	(20,433)	(4,920)	(2,746)	(7,561)
Payments to Others	-	(6,682)	-	
Net Cash Flows from Operating Activities	$ 476	$ 426	$ (1,931)	$ 4,184
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements	$ -	$ -	$ -	$ -
Transfers-In	-	1,435	4,547	-
Transfers-Out	-		-	(1,574)
Proceeds from Bonds	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ 1,435	$ 4,547	$ (1,574)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ -	$ (56)	$ (1,340)	$ (968)
Proceeds from Disposal of Capital Assets	-	12	-	18
Capital Lease Payments	-	-	-	-
Repayment of Bond Principal	-	-	(815)	-
Interest Paid	-	-	(862)	-
Net Cash Flows from Capital and Related Financing Activities	$ -	$ (44)	$ (3,017)	$ (950)
Cash Flows from Investing Activities:				
Investment Earnings	$ 10	$ -	$ 72	$ 155
Net Cash Flows from Investing Activities	$ 10	$ -	$ 72	$ 155
Net Increase (Decrease) in Cash and Cash Equivalents	$ 486	$ 1,817	$ (329)	$ 1,815
Cash and Cash Equivalents, Beginning, as Reported	$ 1,438	$ 8,797	$ 6,702	$ 15,692
Cash and Cash Equivalents, Ending	$ 1,924	$ 10,614	$ 6,373	$ 17,507
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (4,781)	$ 6,371	$ (2,965)	$ 1,951
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 173	$ 135	$ 1,159	$ 819
Amortization	-	-	71	-
Miscellaneous Nonoperating Expenses	-	(5,847)	-	-
Change in Assets and Liabilities:				
Accounts Receivable	6,484	(223)	(91)	1,237
Inventories	-	(76)	(12)	179
Other Assets	-	4	-	103
Accounts Payable	(332)	37	(103)	(39)
Compensated Absences Payable	(1,068)	(2)	1	(94)
Unearned Revenues	-	2	9	-
Other Liabilities	-	25	-	28
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 5,257	$ (5,945)	$ 1,034	$ 2,233
Net Cash Flows from Operating Activities	$ 476	$ 426	$ (1,931)	$ 4,184

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 59,462	$ 25,192	$ 497,287	$ 81,320	$ 747,813
-	-	83	1,022	3,037
-	(17,341)	(306,499)	-	(323,840)
(1,862)	(4,473)	(28,557)	(12,323)	(88,202)
(4,294)	(147)	(10,757)	(66,664)	(117,522)
(375)	(36)	(29,656)	-	(36,749)
$ 52,931	$ 3,195	$ 121,901	$ 3,355	$ 184,537
$ (15,671)	$ -	$ -	$ -	$ (15,671)
-	-	-	-	5,982
(65,875)	-	(121,750)	-	(189,199)
66,277	-	-	-	66,277
(13,375)	-	-	-	(13,375)
(4,642)	-	-	-	(4,642)
$ (33,286)	$ -	$ (121,750)	$ -	$ (150,628)
$ (15,859)	$ -	$ (1,198)	$ (705)	$ (20,126)
-	-	34	25	89
-	-	-	(70)	(70)
-	-	-	(281)	(1,096)
-	-	-	(199)	(1,061)
$ (15,859)	$ -	$ (1,164)	$ (1,230)	$ (22,264)
$ 274	$ 69	$ 266	$ 166	$ 1,012
$ 274	$ 69	$ 266	$ 166	$ 1,012
$ 4,060	$ 3,264	$ (747)	$ 2,291	$ 12,657
$ 31,889	$ 6,669	$ 14,741	$ 20,103	$ 106,031
$ 35,949	$ 9,933	$ 13,994	$ 22,394	$ 118,688
$ 47,232	$ 1,770	$ 122,246	$ 1,838	$ 173,662
$ 5,707	$ -	$ 740	$ 1,280	$ 10,013
-	-	-	-	71
-	-	-	-	(5,847)
(767)	(219)	(1,337)	(61)	5,023
-	-	83	-	174
-	-	137	-	244
596	1,410	199	6	1,774
163	4	217	56	(723)
-	228	(384)	-	(145)
-	2	-	236	291
$ 5,699	$ 1,425	$ (345)	$ 1,517	$ 10,875
$ 52,931	$ 3,195	$ 121,901	$ 3,355	$ 184,537

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

2010
Comprehensive
Annual
Financial Report

Internal Service Funds

Central Motor Pool Fund

The fund accounts for the operation of a fleet of passenger vehicles and the state vehicle maintenance garage.

Central Services Fund

The fund accounts for miscellaneous centralized support services provided to state agencies.

Central Stores Fund

The fund accounts for the operation of centralized supplies purchasing, storage, and distribution.

Employee Insurance Fund

The fund accounts for employee health and life insurance premiums and makes payments based on insurance benefits provided to employees.

Enterprise Technologies Fund

The fund accounts for the operation of statewide communication and information systems.

Plant Management Fund

The fund accounts for maintenance and operation costs of state-owned buildings and grounds in the capitol complex.

Risk Management Fund

The fund accounts for the providing of liability insurance, primarily automobile, to state agencies.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 2,205	$ 954	$ 1,257	$ 291,678
Investments	-	-	-	21,346
Accounts Receivable	1,705	1,557	15	7,570
Accrued Investment/Interest Income	-	-	-	228
Inventories	-	5	-	-
Deferred Costs	-	544	-	-
Total Current Assets	$ 3,910	$ 3,060	$ 1,272	$ 320,822
Noncurrent Assets:				
Deferred Costs	$ -	$ -	$ -	$ -
Depreciable Capital Assets (Net)	17,731	74	-	-
Total Noncurrent Assets	$ 17,731	$ 74	$ -	$ -
Total Assets	$ 21,641	$ 3,134	$ 1,272	$ 320,822
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 313	$ 326	$ 8	$ 57,729
Interfund Payables	-	-	164	-
Unearned Revenue	-	-	-	4,737
Loans Payable	2,295	-	-	-
Compensated Absences Payable	9	34	2	37
Total Current Liabilities	$ 2,617	$ 360	$ 174	$ 62,503
Noncurrent Liabilities:				
Loans Payable	$ 8,809	$ -	$ -	$ -
Compensated Absences Payable	89	405	18	485
Other Liabilities	7	79	-	34
Total Noncurrent Liabilities	$ 8,905	$ 484	$ 18	$ 519
Total Liabilities	$ 11,522	$ 844	$ 192	$ 63,022
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 6,627	$ 74	$ -	$ -
Unrestricted	3,492	2,216	1,080	257,800
Total Net Assets	$ 10,119	$ 2,290	$ 1,080	$ 257,800

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 15,115	$ 19,730	$ 18,151	$ 349,090
-	-	-	21,346
13,716	485	3,021	28,069
-	-	-	228
-	260	-	265
1,345	-	21	1,910
$ 30,176	$ 20,475	$ 21,193	$ 400,908
$ 629	$ -	$ -	$ 629
8,571	4,885	594	31,855
$ 9,200	$ 4,885	$ 594	$ 32,484
$ 39,376	$ 25,360	$ 21,787	$ 433,392
$ 6,161	$ 2,326	$ 14,846	$ 81,709
-	-	-	164
2,140	-	191	7,068
3,037	-	-	5,332
273	154	5	514
$ 11,611	$ 2,480	$ 15,042	$ 94,787
$ 3,196	$ -	$ -	$ 12,005
3,134	1,405	82	5,618
239	178	9	546
$ 6,569	$ 1,583	$ 91	$ 18,169
$ 18,180	$ 4,063	$ 15,133	$ 112,956
$ 2,474	$ 4,854	$ 560	$ 14,589
18,722	16,443	6,094	305,847
$ 21,196	$ 21,297	$ 6,654	$ 320,436

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Operating Revenues:				
Net Sales	$ -	$ 11,108	$ 2,830	$ -
Rental and Service Fees	13,814	2,094	-	-
Insurance Premiums	-	-	-	666,209
Other Income	2	-	-	10,076
Total Operating Revenues	$ 13,816	$ 13,202	$ 2,830	$ 676,285
Less: Cost of Goods Sold	-	-	2,320	-
Gross Margin	$ 13,816	$ 13,202	$ 510	$ 676,285
Operating Expenses:				
Purchased Services	$ 3,457	$ 9,746	$ 250	$ 76,633
Salaries and Fringe Benefits	640	3,406	296	3,721
Claims	-	-	-	568,346
Depreciation	4,898	24	1	1
Amortization	-	-	-	-
Supplies and Materials	3,316	67	6	86
Indirect Costs	331	121	155	88
Other Expenses	-	123	-	1,428
Total Operating Expenses	$ 12,642	$ 13,487	$ 708	$ 650,303
Operating Income (Loss)	$ 1,174	$ (285)	$ (198)	$ 25,982
Nonoperating Revenues (Expenses):				
Investment Income	$ 83	$ -	$ -	$ 3,374
Interest and Financing Costs	(251)	-	-	-
Other Nonoperating Expenses	-	-	(147)	-
Gain (Loss) on Disposal of Capital Assets	282	-	-	-
Total Nonoperating Revenues (Expenses)	$ 114	$ -	$ (147)	$ 3,374
Income (Loss) Before Transfers & Contributions	$ 1,288	$ (285)	$ (345)	$ 29,356
Transfers-Out	-	-	(371)	(9)
Change in Net Assets	$ 1,288	$ (285)	$ (716)	$ 29,347
Net Assets, Beginning, as Reported	$ 8,831	$ 2,575	$ 1,796	$ 228,453
Net Assets, Ending	$ 10,119	$ 2,290	$ 1,080	$ 257,800

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ -	$ -	$ -	$ 13,938
83,521	64,746	-	164,175
-	-	12,054	678,263
582	-	109	10,769
$ 84,103	$ 64,746	$ 12,163	$ 867,145
-	-	-	2,320
$ 84,103	$ 64,746	$ 12,163	$ 864,825
$ 46,580	$ 8,420	$ 5,239	$ 150,325
30,232	14,722	848	53,865
-	-	5,185	573,531
4,188	535	-	9,647
609	-	-	609
945	1,887	9	6,316
136	674	64	1,569
1,233	-	7	2,791
$ 83,923	$ 26,238	$ 11,352	$ 798,653
$ 180	$ 38,508	$ 811	$ 66,172
$ 43	$ -	$ 149	$ 3,649
(229)	-	-	(480)
-	-	(605)	(752)
110	5	-	397
$ (76)	$ 5	$ (456)	$ 2,814
$ 104	$ 38,513	$ 355	$ 68,986
(28)	(28,218)	-	(28,626)
$ 76	$ 10,295	$ 355	$ 40,360
$ 21,120	$ 11,002	$ 6,299	$ 280,076
$ 21,196	$ 21,297	$ 6,654	$ 320,436

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	CENTRAL STORES	EMPLOYEE INSURANCE
Cash Flows from Operating Activities:				
Receipts from Customers	$ 13,368	$ 14,071	$ 3,416	$ 666,731
Receipts from Other Revenues	2	-	-	10,047
Payments to Claimants	-	-	-	(563,358)
Payments to Suppliers	(7,325)	(10,204)	(2,821)	(79,166)
Payments to Employees	(668)	(3,420)	(366)	(3,622)
Payments to Others	-	(25)	-	(1,811)
Net Cash Flows from Operating Activities	$ 5,377	$ 422	$ 229	$ 28,821
Cash Flows from Noncapital Financing Activities:				
Transfers-Out	$ -	$ -	$ (209)	$ (20)
Repayments of Advances to Other Funds	-	(458)	-	-
Repayments of Advances from Other Funds	(1,125)	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ (1,125)	$ (458)	$ (209)	$ (20)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (6,828)	$ -	$ -	$ -
Proceeds from Disposal of Capital Assets	1,576	-	-	-
Proceeds from Loans	5,715	-	-	-
Repayment of Loan Principal	(5,310)	-	-	-
Interest Paid	(253)	-	-	-
Net Cash Flows from Capital and Related Financing Activities	$ (5,100)	$ -	$ -	$ -
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ -	$ 7,500
Purchase of Investments	-	-	-	(7,498)
Investment Earnings	83	-	-	3,377
Net Cash Flows from Investing Activities	$ 83	$ -	$ -	$ 3,379
Net Increase (Decrease) in Cash and Cash Equivalents	$ (765)	$ (36)	$ 20	$ 32,180
Cash and Cash Equivalents, Beginning, as Reported	$ 2,970	$ 990	$ 1,237	$ 259,498
Cash and Cash Equivalents, Ending	$ 2,205	$ 954	$ 1,257	$ 291,678
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 1,174	$ (285)	$ (198)	$ 25,982
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation	$ 4,898	$ 24	$ 1	$ 1
Amortization	-	-	-	-
Miscellaneous Nonoperating Expenses	-	-	-	-
Change in Assets and Liabilities:				
Accounts Receivable	(446)	936	586	(32)
Inventories	1	5	303	-
Other Assets	2	(375)	-	-
Accounts Payable	(247)	98	(409)	2,576
Compensated Absences Payable	(7)	(3)	(50)	61
Unearned Revenues	-	-	-	195
Other Liabilities	2	22	(4)	38
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 4,203	$ 707	$ 427	$ 2,839
Net Cash Flows from Operating Activities	$ 5,377	$ 422	$ 229	$ 28,821
Noncash Investing, Capital and Financing Activities:				
Accrual of Computer Equipment as an Investment in Capital Assets	$ -	$ -	$ -	$ -
Trade-In Allowance for Investment in Capital Assets	-	-	-	-

ENTERPRISE TECHNOLOGIES	PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 83,897	$ 69,134	$ 12,076	$ 862,693
581	1,176	-	11,806
-	-	(2,706)	(566,064)
-	(15,832)	(5,158)	(120,506)
(30,010)	(14,627)	(872)	(53,585)
(50,022)	-	(605)	(52,463)
$ 4,446	$ 39,851	$ 2,735	$ 81,881
$ -	$ (28,218)	$ -	$ (28,447)
-	-	-	(458)
-	-	-	(1,125)
$ -	$ (28,218)	$ -	$ (30,030)
$ (2,608)	$ (4,846)	$ (309)	$ (14,591)
-	5	-	1,581
2,734	-	-	8,449
(3,654)	-	-	(8,964)
(235)	-	-	(488)
$ (3,763)	$ (4,841)	$ (309)	$ (14,013)
$ -	$ -	$ -	$ 7,500
-	-	-	(7,498)
43	-	149	3,652
$ 43	$ -	$ 149	$ 3,654
$ 726	$ 6,792	$ 2,575	$ 41,492
$ 14,389	$ 12,938	$ 15,576	$ 307,598
$ 15,115	$ 19,730	$ 18,151	$ 349,090
$ 180	$ 38,508	$ 811	$ 66,172
$ 4,188	$ 535	$ -	$ 9,647
609	-	-	609
-	-	(605)	(605)
(2,030)	1,482	(2,823)	(2,327)
-	68	-	377
-	-	158	(215)
(6,444)	(827)	5,310	57
83	36	(26)	94
2,140	-	4	2,339
5,720	49	(94)	5,733
$ 4,266	$ 1,343	$ 1,924	$ 15,709
$ 4,446	$ 39,851	$ 2,735	$ 81,881
$ 133	$ -	$ -	$ 133
82	-	-	82

State of Minnesota

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Pension Trust Funds

Minnesota State Retirement System

Correctional Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state employees who have direct responsibility for offenders at Minnesota correctional facilities.

Elective State Officers Fund

The fund includes resources accumulated to pay present and future retirement annuities for the state's constitutional officers.

Hennepin County Supplemental Retirement Fund

The fund accounts for resources administered by the Minnesota State Retirement System on behalf of the Hennepin County supplemental retirement program.

Judicial Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible district, municipal, county, and probate court judges, supreme court justices, and various court referees.

Legislative Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of the state legislature.

Postretirement Health Care Benefits Fund

The fund includes contributions by or on behalf of employees and accumulated earnings for reimbursement of health-related expenses of the employee or dependents after retirement.

State Deferred Compensation Fund

The fund includes contributions by participants toward a voluntary retirement savings plan.

State Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to state and University of Minnesota employees not covered by other pension funds.

State Patrol Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible state patrol officers, conservation officers, and crime bureau personnel.

Unclassified Employees Retirement Fund

The fund includes the aggregate of unclassified employee share accounts which are either refunded or used to purchase a retirement annuity upon termination of service.

Public Employees Retirement Association

Defined Contribution Fund

The fund is an IRC Section 401(a) deferred compensation plan administered by the Public Employees Retirement Association.

Minneapolis Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of the City of Minneapolis.

Police and Fire Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible police officers and firefighters.

Public Employees Correctional Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible correctional employees of various local units of government.

Public Employees Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities to eligible employees of various local units of government.

Volunteer Firefighter Retirement Fund

The fund contains the assets attributable to the voluntary statewide lump-sum volunteer firefighter retirement plan.

Teachers Retirement Association

Teachers Retirement Fund

The fund includes resources accumulated to pay present and future retirement annuities for members of both the basic and coordinated teachers retirement plans.

State Colleges and Universities

Colleges and Universities Retirement Fund

The fund includes unclassified teachers, librarians, administrators, and certain other staff members who have been employed fulltime for a minimum of two academic years.

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalents	$ 1	$ -	$ 13	$ 18
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 31,061	$ -	$ 19,401	$ 7,747
Investments:				
Guaranteed Investment Account	$ -	$ -	$ -	$ -
Debt Securities	125,653	-	28,121	30,150
Equity Securities	377,025	-	62,650	90,451
Mutual Funds	-	-	-	-
Total Investments	$ 502,678	$ -	$ 90,771	$ 120,601
Accrued Interest and Dividends	$ 1,449	$ -	$ 334	$ 349
Securities Trades Receivables (Payables)	(11,616)	-	(989)	(2,788)
Total Investment Pool Participation	$ 523,572	$ -	$ 109,517	$ 125,909
Receivables:				
Interfund Receivables	$ -	$ -	$ -	$ -
Receivables	2,269	215	32	351
Accrued Interest and Dividends	6	-	-	1
Total Receivables	$ 2,275	$ 215	$ 32	$ 352
Securities Lending Collateral	$ 47,031	$ -	$ 9,070	$ 11,284
Depreciable Capital Assets (Net)	-	-	-	-
Nondepreciable Capital Assets	-	-	-	-
Total Assets	$ 572,879	$ 215	$ 118,632	$ 137,563
LIABILITIES				
Accounts Payable	$ 153	$ -	$ 8	$ 39
Interfund Payables	450	1	6	39
Accrued Expense	-	-	-	-
Revenue Bonds Payable	-	-	-	-
Bond Interest	-	-	-	-
Compensated Absences Payable	-	-	-	-
Securities Lending Liabilities	47,031	-	9,070	11,284
Total Liabilities	$ 47,634	$ 1	$ 9,084	$ 11,362
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 525,245	$ 214	$ 109,548	$ 126,201

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
$ 5	$ 888	$ 9,826	$ 6	$ 1	$ 109
$ 1,056	$ 137,669	$ 83,909	$ 435,176	$ 27,799	$ 17,719
$ -	$ 85,421	$ 1,129,598	$ -	$ -	$ 33,493
4,713	28,834	-	1,847,660	117,428	52,517
14,142	66,825	-	5,544,014	352,347	150,281
-	-	2,262,520	-	-	-
$ 18,855	$ 181,080	$ 3,392,118	$ 7,391,674	$ 469,775	$ 236,291
$ 54	$ 372	$ 12	$ 21,316	$ 1,355	$ 692
(435)	(1,901)	-	(170,820)	(10,856)	(1,741)
$ 19,530	$ 317,220	$ 3,476,039	$ 7,677,346	$ 488,073	$ 252,961
$ -	$ -	$ -	$ 4,938	$ -	$ -
7,321	5,605	12,111	14,022	1,051	483
-	-	-	83	5	-
$ 7,321	$ 5,605	$ 12,111	$ 19,043	$ 1,056	$ 483
$ 1,763	$ 9,814	$ -	$ 691,454	$ 43,947	$ 20,157
-	-	-	5,811	-	-
-	-	-	88	-	-
$ 28,619	$ 333,527	$ 3,497,976	$ 8,393,748	$ 533,077	$ 273,710
$ 7	$ 125	$ 272	$ 3,046	$ 141	$ 6
28	2,410	1,726	-	119	159
-	-	-	-	-	-
-	-	-	6,001	-	-
-	-	-	-	-	-
-	-	-	716	-	-
1,763	9,814	-	691,454	43,947	20,157
$ 1,798	$ 12,349	$ 1,998	$ 701,217	$ 44,207	$ 20,322
$ 26,821	$ 321,178	$ 3,495,978	$ 7,692,531	$ 488,870	$ 253,388

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalents	$ 232	$ 25	$ 1,000
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,880	$ 65,184	$ 256,835
Investments:			
Guaranteed Investment Account	$ 3,183	$ -	$ -
Debt Securities	7,395	279,252	1,072,294
Equity Securities	18,561	509,619	3,214,693
Mutual Funds	-	-	-
Total Investments	$ 29,139	$ 788,871	$ 4,286,987
Accrued Interest and Dividends	$ 93	$ 3,009	$ 12,362
Securities Trades Receivables (Payables)	(249)	(25,843)	(99,050)
Total Investment Pool Participation	$ 31,863	$ 831,221	$ 4,457,134
Receivables:			
Interfund Receivables	$ -	$ -	$ 4
Receivables	69	12,788	2,134
Accrued Interest and Dividends	-	-	-
Total Receivables	$ 69	$ 12,788	$ 2,138
Securities Lending Collateral	$ 2,598	$ 87,592	$ 400,888
Depreciable Capital Assets (Net)	-	-	-
Nondepreciable Capital Assets	-	-	-
Total Assets	$ 34,762	$ 931,626	$ 4,861,160
LIABILITIES			
Accounts Payable	$ 1	$ 1	$ 3,826
Interfund Payables	224	-	2,709
Accrued Expense	-	-	-
Revenue Bonds Payable	-	-	-
Bond Interest	-	-	-
Compensated Absences Payable	-	-	-
Securities Lending Liabilities	2,598	87,592	400,888
Total Liabilities	$ 2,823	$ 87,593	$ 407,423
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 31,939	$ 844,033	$ 4,453,737

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 280	$ 1,300	$ 6	$ 4,187	$ -	$ 17,897
$ 13,708	$ 666,262	$ 60	$ 857,120	$ -	$ 2,623,586
$ -	$ -	$ -	$ -	$ -	$ 1,251,695
50,472	2,723,089	370	3,593,309	-	9,961,257
151,037	8,161,325	359	10,773,195	-	29,486,524
-	-	-	-	886,399	3,148,919
$ 201,509	$ 10,884,414	$ 729	$ 14,366,504	$ 886,399	$ 43,848,395
$ 581	$ 31,384	$ 3	$ 41,578	$ -	$ 114,943
(4,654)	(251,463)	(34)	(331,939)	-	(914,378)
$ 211,144	$ 11,330,597	$ 758	$ 14,933,263	$ 886,399	$ 45,672,546
$ 32	$ 3,382	$ -	$ -	$ -	$ 8,356
411	10,843	-	13,962	-	83,667
-	-	-	-	-	95
$ 443	$ 14,225	$ -	$ 13,962	$ -	$ 92,118
$ 18,835	$ 1,017,756	$ 76	$ 1,343,468	$ -	$ 3,705,733
-	9,213	-	10,171	-	25,195
-	170	-	171	-	429
$ 230,702	$ 12,373,261	$ 840	$ 16,305,222	$ 886,399	$ 49,513,918
$ 50	$ 6,722	$ -	$ 12,180	$ -	$ 26,577
449	36	-	-	-	8,356
-	-	-	1	-	1
-	9,172	-	9,177	-	24,350
-	-	-	45	-	45
-	993	-	812	-	2,521
18,835	1,017,756	76	1,343,468	-	3,705,733
$ 19,334	$ 1,034,679	$ 76	$ 1,365,683	$ -	$ 3,767,583
$ 211,368	$ 11,338,582	$ 764	$ 14,939,539	$ 886,399	$ 45,746,335

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer	$ 21,988	$ -	$ 515	$ 8,283
Member	15,267	-	514	2,988
Contributions From Other Sources	-	453	-	-
Total Contributions	$ 37,255	$ 453	$ 1,029	$ 11,271
Net Investment Income:				
Investment Income	$ 69,324	$ -	$ 12,230	$ 17,446
Less: Investment Expense	(737)	-	-	(177)
Net Investment Income	$ 68,587	$ -	$ 12,230	$ 17,269
Securities Lending Revenues (Expenses):				
Securities Lending Income	$ 422	$ -	$ 82	$ 101
Borrower Rebates	(77)	-	(14)	(19)
Management Fees	(49)	-	(10)	(12)
Net Securities Lending Revenue	$ 296	$ -	$ 58	$ 70
Total Investment Income	$ 68,883	$ -	$ 12,288	$ 17,339
Transfers From Other Funds	$ 27	$ -	$ -	$ -
Other Additions	-	-	48	1
Total Additions	$ 106,165	$ 453	$ 13,365	$ 28,611
Deductions:				
Benefits	$ 36,078	$ 451	$ 3,514	$ 17,058
Refunds/Withdrawals	1,170	-	2,244	-
Administrative Expenses	455	1	52	42
Transfers to Other Funds	-	-	-	-
Total Deductions	$ 37,703	$ 452	$ 5,810	$ 17,100
Net Increase (Decrease)	$ 68,462	$ 1	$ 7,555	$ 11,511
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 456,783	$ 213	$ 101,993	$ 114,690
Change in Reporting Entity	-	-	-	-
Change in Fund Structure	-	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 456,783	$ 213	$ 101,993	$ 114,690
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 525,245	$ 214	$ 109,548	$ 126,201

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	POSTRETIREMENT HEALTH CARE BENEFITS	STATE DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT	STATE PATROL RETIREMENT	UNCLASSIFIED EMPLOYEES RETIREMENT
$ -	$ -	$ -	$ 115,181	$ 10,104	$ 6,333
171	90,445	228,190	113,716	6,726	4,472
1,975	-	-	-	-	-
$ 2,146	$ 90,445	$ 228,190	$ 228,897	$ 16,830	$ 10,805
$ 3,219	$ 12,965	$ 308,697	$ 1,047,553	$ 68,619	$ 28,722
(31)	-	-	(10,990)	(709)	-
$ 3,188	$ 12,965	$ 308,697	$ 1,036,563	$ 67,910	$ 28,722
$ 16	$ 95	$ -	$ 6,210	$ 395	$ 194
(3)	(16)	-	(1,140)	(73)	(31)
(2)	(12)	-	(760)	(48)	(25)
$ 11	$ 67	$ -	$ 4,310	$ 274	$ 138
$ 3,199	$ 13,032	$ 308,697	$ 1,040,873	$ 68,184	$ 28,860
$ -	$ -	$ -	$ 14,618	$ 28	$ 259
-	63	2,305	321	13	-
$ 5,345	$ 103,540	$ 539,192	$ 1,284,709	$ 85,055	$ 39,924
$ 7,159	$ 35,613	$ 30,353	$ 473,447	$ 46,119	$ -
-	-	114,889	9,733	3	5,691
28	2,131	4,441	5,802	123	198
-	-	-	314	-	14,618
$ 7,187	$ 37,744	$ 149,683	$ 489,296	$ 46,245	$ 20,507
$ (1,842)	$ 65,796	$ 389,509	$ 795,413	$ 38,810	$ 19,417
$ 28,663	$ 255,382	$ 3,106,469	$ 6,897,118	$ 450,060	$ 233,971
-	-	-	-	-	-
-	-	-	-	-	-
$ 28,663	$ 255,382	$ 3,106,469	$ 6,897,118	$ 450,060	$ 233,971
$ 26,821	$ 321,178	$ 3,495,978	$ 7,692,531	$ 488,870	$ 253,388

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	DEFINED CONTRIBUTION	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer	$ 1,582	$ 4,798	$ 107,065
Member	1,480	1,081	71,736
Contributions From Other Sources	-	-	-
Total Contributions	$ 3,062	$ 5,879	$ 178,801
Net Investment Income:			
Investment Income	$ 3,693	$ 126,667	$ 606,036
Less: Investment Expense	-	(1,486)	(6,358)
Net Investment Income	$ 3,693	$ 125,181	$ 599,678
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 24	$ 769	$ 3,600
Borrower Rebates	(4)	(147)	(660)
Management Fees	(3)	(93)	(441)
Net Securities Lending Revenue	$ 17	$ 529	$ 2,499
Total Investment Income	$ 3,710	$ 125,710	$ 602,177
Transfers From Other Funds	$ -	$ 9,000	$ -
Other Additions	1	-	-
Total Additions	$ 6,773	$ 140,589	$ 780,978
Deductions:			
Benefits	$ -	$ 147,099	$ 326,041
Refunds/Withdrawals	1,817	27	1,493
Administrative Expenses	211	2,806	753
Transfers to Other Funds	-	-	-
Total Deductions	$ 2,028	$ 149,932	$ 328,287
Net Increase (Decrease)	$ 4,745	$ (9,343)	$ 452,691
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 27,194	$ -	$ 4,001,046
Change in Reporting Entity	-	13,083	-
Change in Fund Structure	-	840,293	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 27,194	$ 853,376	$ 4,001,046
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 31,939	$ 844,033	$ 4,453,737

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	PUBLIC EMPLOYEES RETIREMENT	VOLUNTEER FIREFIGHTER RETIREMENT	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 14,170	$ 342,678	$ 7	$ 220,538	$ 40,341	$ 893,583
9,442	303,571	-	214,909	34,047	1,098,755
-	-	-	22,807	1,201	26,436
$ 23,612	$ 646,249	$ 7	$ 458,254	$ 75,589	$ 2,018,774
$ 24,909	$ 1,529,582	$ (8)	$ 2,100,983	$ 80,566	$ 6,041,203
(281)	(16,139)	-	(21,716)	-	(58,624)
$ 24,628	$ 1,513,443	$ (8)	$ 2,079,267	$ 80,566	$ 5,982,579
$ 169	$ 9,140	$ -	$ 12,065	$ -	$ 33,282
(31)	(1,677)	-	(2,214)	-	(6,106)
(21)	(1,120)	-	(1,478)	-	(4,074)
$ 117	$ 6,343	$ -	$ 8,373	$ -	$ 23,102
$ 24,745	$ 1,519,786	$ (8)	$ 2,087,640	$ 80,566	$ 6,005,681
$ -	$ -	$ -	$ -	$ -	$ 23,932
-	241	-	3,593	-	6,586
$ 48,357	$ 2,166,276	$ (1)	$ 2,549,487	$ 156,155	$ 8,054,973
$ 3,353	$ 906,300	$ 25	$ 1,421,382	$ 33,330	$ 3,487,322
714	28,770	-	12,804	-	179,355
222	9,476	1	9,611	323	36,676
-	-	-	-	-	14,932
$ 4,289	$ 944,546	$ 26	$ 1,443,797	$ 33,653	$ 3,718,285
$ 44,068	$ 1,221,730	$ (27)	$ 1,105,690	$ 122,502	$ 4,336,688
$ 167,300	$ 10,116,852	$ -	$ 13,833,849	$ 763,897	$ 40,555,480
-	-	791	-	-	13,874
-	-	-	-	-	840,293
$ 167,300	$ 10,116,852	$ 791	$ 13,833,849	$ 763,897	$ 41,409,647
$ 211,368	$ 11,338,582	$ 764	$ 14,939,539	$ 886,399	$ 45,746,335

MINNESOTA

Headwaters of the mighty Mississippi

State of Minnesota

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Investment Trust Funds

Supplemental Retirement Fund

The fund provides an investment vehicle for the assets of various public retirement plans and funds.

Investment Trust Fund

The fund provides an investment vehicle for external funds authorized to be invested by the state.

INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2010
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 18,756	$ 53,688	$ 72,444
Investments:			
Debt Securities	$ 87,234	$ 59,833	$ 147,067
Equity Securities	216,046	52,719	268,765
Total Investments	$ 303,280	$ 112,552	$ 415,832
Accrued Interest and Dividends	$ 1,052	$ 901	$ 1,953
Securities Trades Receivables (Payables)	(6,805)	(638)	(7,443)
Total Investment Pool Participation	$ 316,283	$ 166,503	$ 482,786
Securities Lending Collateral	$ 30,843	$ 6,862	$ 37,705
Total Assets	$ 347,126	$ 173,365	$ 520,491
LIABILITIES			
Accounts Payable	$ 72	$ -	$ 72
Securities Lending Liabilities	30,843	6,862	37,705
Total Liabilities	$ 30,915	$ 6,862	$ 37,777
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 316,211	$ 166,503	$ 482,714

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 60,148	$ 47,403	$ 107,551
Total Contributions	$ 60,148	$ 47,403	$ 107,551
Net Investment Income:			
Investment Income	$ 13,086	$ 8,805	$ 21,891
Less: Investment Expense	(316)	-	(316)
Net Investment Income	$ 12,770	$ 8,805	$ 21,575
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 312	$ 42	$ 354
Borrower Rebates	(93)	(14)	(107)
Management Fees	-	(21)	(21)
Net Securities Lending Revenue	$ 219	$ 7	$ 226
Total Investment Income	$ 12,989	$ 8,812	$ 21,801
Total Additions	$ 73,137	$ 56,215	$ 129,352
Deductions:			
Refunds/Withdrawals	$ 80,490	$ 18,027	$ 98,517
Total Deductions	$ 80,490	$ 18,027	$ 98,517
Net Increase (Decrease)	$ (7,353)	$ 38,188	$ 30,835
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 323,564	$ 968,608	$ 1,292,172
Change in Fund Structure	-	(840,293)	(840,293)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 323,564	$ 128,315	$ 451,879
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 316,211	$ 166,503	$ 482,714

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State of Minnesota

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Agency
Fund

Agency Fund

This fund accounts for resources held in a custodial capacity for other governmental units, private organizations, or individuals.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	$ 131,015	$ 1,254,691	$ 1,283,635	$ 102,071
Accounts Receivable	19,627	22,149	19,627	22,149
Total Assets	$ 150,642	$ 1,276,840	$ 1,303,262	$ 124,220
LIABILITIES				
Accounts Payable	$ 150,642	$ 1,276,840	$ 1,303,262	$ 124,220
Total Liabilities	$ 150,642	$ 1,276,840	$ 1,303,262	$ 124,220

State of Minnesota

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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

The foundation is under contract with the Minnesota Amateur Sports Commission to maintain and operate the National Sports Center facility. The primary purpose of the facility is to hold youth-oriented athletic and other non-athletic functions and events.

Office of Higher Education

The office makes and guarantees loans to qualified post secondary students.

Public Facilities Authority

The authority provides financial assistance to eligible municipalities with high cost wastewater infrastructure projects.

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

The plan is the source of workers' compensation and employers' liability coverage for Minnesota employers who have been unable to obtain an insurance policy through the voluntary market.

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2009 and JUNE 30, 2010
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 3,415	$ 88	$ 193,377
Investments	-	-	-
Accounts Receivable	-	754	5,494
Due from Primary Government	-	-	-
Accrued Investment/Interest Income	148	-	-
Federal Aid Receivable	-	-	-
Inventories	-	47	-
Deferred Costs	-	48	215
Loans and Notes Receivable	978	-	89,271
Other Assets	3,500	-	-
Total Current Assets	$ 8,041	$ 937	$ 288,357
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 48,176
Investments-Restricted	21,907	-	-
Accounts Receivable-Restricted	-	2,878	-
Due from Primary Government	-	-	-
Investments	-	-	-
Accounts Receivable	-	-	-
Loans and Notes Receivable	1,666	-	644,639
Depreciable Capital Assets (Net)	-	1,876	22
Nondepreciable Capital Assets	-	779	-
Other Assets	-	-	3,665
Total Noncurrent Assets	$ 23,573	$ 5,533	$ 696,502
Total Assets	$ 31,614	$ 6,470	$ 984,859
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 13	$ 1,211	$ 3,506
Due to Primary Government	-	-	211
Unearned Revenue	-	868	8,481
Accrued Bond Interest Payable	172	-	-
Loans and Notes Payable	-	368	-
Revenue Bonds Payable	795	-	-
Claims Payable	-	-	-
Compensated Absences Payable	-	-	59
Other Liabilities	-	-	-
Total Current Liabilities	$ 980	$ 2,447	$ 12,257
Noncurrent Liabilities:			
Accrued Bond Interest Payable-Restricted	$ -	$ -	$ 382
Due to Primary Government	-	-	-
Loans and Notes Payable	-	2,927	-
Revenue Bonds Payable	6,565	-	590,100
Claims Payable	-	-	-
Compensated Absences Payable	-	-	647
Other Liabilities	-	-	3,316
Total Noncurrent Liabilities	$ 6,565	$ 2,927	$ 594,445
Total Liabilities	$ 7,545	$ 5,374	$ 606,702
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ -	$ 2,655	$ 22
Restricted	21,383	-	377,806
Unrestricted	2,686	(1,559)	329
Total Net Assets	$ 24,069	$ 1,096	$ 378,157

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 139,748	$ 25,678	$ 11,269	$ 373,575
9,988	-	305,540	315,528
-	4	28,852	35,104
2,785	-	-	2,785
18,077	-	1,820	20,045
1,875	-	-	1,875
-	-	-	47
-	-	3,471	3,734
101,728	7,067	-	199,044
-	-	82	3,582
$ 274,201	$ 32,749	$ 351,034	$ 955,319
$ -	$ -	$ -	$ 48,176
-	-	-	21,907
-	-	-	2,878
18,591	-	-	18,591
99,863	-	-	99,863
-	-	372,093	372,093
1,642,306	50,064	-	2,338,675
-	-	-	1,898
-	-	-	779
2,470	-	-	6,135
$ 1,763,230	$ 50,064	$ 372,093	$ 2,910,995
$ 2,037,431	$ 82,813	$ 723,127	$ 3,866,314
$ 3,180	$ -	$ 2,074	$ 9,984
-	6,500	24,253	30,964
-	-	18,800	28,149
14,013	-	-	14,185
-	-	-	368
48,835	-	-	49,630
-	-	51,814	51,814
40	-	-	99
2,051	-	-	2,051
$ 68,119	$ 6,500	$ 96,941	$ 187,244
$ -	$ -	$ -	$ 382
-	71,285	-	71,285
-	-	-	2,927
938,872	-	-	1,535,537
-	-	576,186	576,186
380	-	-	1,027
73	-	-	3,389
$ 939,325	$ 71,285	$ 576,186	$ 2,190,733
$ 1,007,444	$ 77,785	$ 673,127	$ 2,377,977
$ -	$ -	$ -	$ 2,677
1,027,180	-	3,176	1,429,545
2,807	5,028	46,824	56,115
$ 1,029,987	$ 5,028	$ 50,000	$ 1,488,337

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND JUNE 30, 2010
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 1,868	$ 10,310	$ 239,929
Program Revenues:			
Charges for Services	$ 379	$ 9,841	$ 35,994
Operating Grants and Contributions	-	-	5,890
Net (Expense) Revenue	$ (1,489)	$ (469)	$ (198,045)
General Revenues:			
Investment Income	$ 813	$ -	$ -
Other Revenues	-	993	-
Total General Revenues before Grants	$ 813	$ 993	$ -
State Grants Not Restricted	-	-	215,532
Total General Revenues	$ 813	$ 993	$ 215,532
Change in Net Assets	$ (676)	$ 524	$ 17,487
Net Assets, Beginning, as Reported	$ 24,745	$ 572	$ 360,670
Net Assets, Ending	$ 24,069	$ 1,096	$ 378,157

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 117,988	$ 1,729	$ 58,630	$ 430,454
$ 44,762	$ 3,067	$ 31,308	$ 125,351
113,154	-	-	119,044
$ 39,928	$ 1,338	$ (27,322)	$ (186,059)
$ -	$ -	$ 39,848	$ 40,661
-	-	-	993
$ -	$ -	$ 39,848	$ 41,654
26,232	-	-	241,764
$ 26,232	$ -	$ 39,848	$ 283,418
$ 66,160	$ 1,338	$ 12,526	$ 97,359
$ 963,827	$ 3,690	$ 37,474	$ 1,390,978
$ 1,029,987	$ 5,028	$ 50,000	$ 1,488,337

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 328	$ 3,066	$ 3,394
Rental and Service Fees	-	1	1
Other Income	51	-	51
Total Operating Revenues	$ 379	$ 3,067	$ 3,446
Operating Expenses:			
Economic and Manpower Development	$ 1,442	$ 1,729	$ 3,171
Total Operating Expenses	$ 1,442	$ 1,729	$ 3,171
Operating Income (Loss)	$ (1,063)	$ 1,338	$ 275
Nonoperating Revenues (Expenses):			
Bond Interest Expense	$ (426)	$ -	$ (426)
Investment/Interest Income	813	-	813
Total Nonoperating Revenues (Expenses)	$ 387	$ -	$ 387
Change in Net Assets	$ (676)	$ 1,338	$ 662
Net Assets, Beginning, as Reported	$ 24,745	$ 3,690	$ 28,435
Net Assets, Ending	$ 24,069	$ 5,028	$ 29,097

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,066	$ 10,936	$ 12,002
Receipts from Other Revenues	1,514	15,074	16,588
Payments to Customers	-	(10,075)	(10,075)
Payments to Suppliers	(764)	-	(764)
Payments to Others	-	(11,183)	(11,183)
Net Cash Flows from Operating Activities	$ 1,816	$ 4,752	$ 6,568
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest	$ (493)	$ -	$ (493)
Repayment of Bond Principal	(2,525)	-	(2,525)
Loan Issuances	(400)	-	(400)
Net Cash Flows from Non-Capital Financing Activities	$ (3,418)	$ -	$ (3,418)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 5,391	$ -	$ 5,391
Purchase of Investments	(4,821)	-	(4,821)
Investment Interest	779	-	779
Net Cash Flows from Investing Activities	$ 1,349	$ -	$ 1,349
Net Increase (Decrease) in Cash and Cash Equivalents	$ (253)	$ 4,752	$ 4,499
Cash and Cash Equivalents, Beginning, as Reported	$ 3,668	$ 20,926	$ 24,594
Cash and Cash Equivalents, Ending	$ 3,415	$ 25,678	$ 29,093
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (1,063)	$ 1,338	$ 275
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 2,879	$ (2,126)	$ 753
Due to Primary Government	-	5,540	5,540
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 2,879	$ 3,414	$ 6,293
Net Cash Flows from Operating Activities	$ 1,816	$ 4,752	$ 6,568

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State of Minnesota

General Obligation Debt Schedule

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GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2010
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building [17, 18, 19, 20]	1990,Ch.610	$ 270,129.1	$ 270,126.0	$ 3.1
Building [10, 14, 16, 18]	1994,Ch.643	523,874.5	523,849.0	25.5
Building [8, 9, 10, 14]	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building [10, 11, 14, 15]	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose [3, 8, 9, 10, 13]	2000, Ch. 492	527,684.7	518,170.0	9,514.7
Various Purpose [3, 8, 10, 12]	X2001, Ch. 12	116,758.7	115,425.0	1,333.7
Various Purpose [2, 3, 8]	2002, Ch. 374	74,017.0	74,017.0	0.0
Various Purpose [2, 3, 6, 8, 10, 11]	2002, Ch. 393	600,831.8	598,605.0	2,226.8
Various Purpose [3, 8]	X2002, Ch. 1	15,273.0	15,055.0	218.0
Trunk Highway [2, 3]	X2003, Ch. 19, Art.3	400,191.5	399,990.0	201.5
Trunk Highway [2, 3]	X2003, Ch. 19, Art.4	106,026.5	105,700.0	326.5
Various Purpose [2, 6]	2005, Ch. 20	941,297.4	905,079.0	36,218.4
Various Purpose [2, 6, 7]	2006, Ch. 258	1,002,855.2	928,975.0	73,880.2
Various Purpose [2]	X2007, Ch. 2	53,971.7	22,845.0	31,126.7
Trunk Highway [2]	X2007, Ch. 2	20,020.0	19,085.0	935.0
Trunk Highway	2008, Ch. 152	1,783,300.0	180,975.0	1,602,325.0
Transportation	2008, Ch. 152	60,060.0	37,500.0	22,560.0
Various Purpose [2, 4]	2008, Ch. 179	800,869.3	562,298.0	238,571.3
Various Purpose	2008, Ch. 365	105,500.0	58,400.0	47,100.0
Trunk Highway	2009, Ch. 36	40,000.0	5,000.0	35,000.0
Various Purpose [2, 3]	2009, Ch. 93	258,865.0	106,500.0	152,365.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	5.0
Various Purpose [1]	2010, Ch. 189	1,074,865.0	0.0	1,074,865.0
Trunk Highway [1]	2010, Ch. 189	32,945.0	0.0	32,945.0
Trunk Highway	2010, Ch. 388	100,100.0	0.0	100,100.0
Totals		$ 9,389,009.5	$ 5,926,494.0	$ 3,462,515.5

(1) The Governor vetoed $361,460,000 of appropriations for Various Purpose capital projects and $6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor will request that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session.

(2) Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 374 by $553,774; Laws 2002, Chapter 393 by $280,914; Laws 2005, Chapter 20 by $1,682,567; Laws 2006, Chapter 258 by $7,770; Special Session Laws 2007, Chapter 2 by $2,283,263; Laws 2008, Chapter 179 by $152,660; and Laws 2009, Chapter 93 by $3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by $18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by $85,155,000.

(3) Minnesota Statutes 16A.642, required that on January 1, 2009 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $217,331; Special Session Laws 2001, Chapter 12 by $171,552; Laws 2002, Chapter 374 by $30,014; Laws 2002, Chapter 393 by $284,508; and Special Session Laws 2002, Chapter 1 by $178,656. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by $208,570; Special Session Laws 2003, Chapter 19, Article 4 by $4,083,466.

(4) Laws 2008, Chapter 365 reduced the Various Purpose Bond authorization in Laws 2008, Chapter 179 by $223,588,000.

(5) Laws 2008, Chapter 179 reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by $17,262,000; Laws 2005, Chapter 20 by $2,000,000; and Laws 2006, Chapter 258 by $3,767,000.

(6) Laws 2007, Chapter 45 reduced the Various Purpose Bond authorization in Laws 2006, Chapter 258 by $150,000.

(7) Minnesota Statutes 16A.642, required that on January 1, 2007 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2007. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by $112,548; and Laws 1999, Chapter 240 by $93,091. The cancellation report also reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $524,411; Special Session Laws 2001, Chapter 12 by $274,734; Laws 2002, Chapter 374 by $88,266; Laws 2002, Chapter 393 by $6,052,781; and Special Session Laws 2002, Chapter 1 by $863,386. The cancellation report also reduced Transportation Bonds authorized by Laws 2002, Chapter 374 by $590,000.

(8) Minnesota Statutes 16A.642, required that on January 1, 2005 the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by 763,514; and Laws 1999, Chapter 240 by $292,887. The cancellation report also reduced Various Purpose Bonds authorizationed by Laws 2000, Chapter 492 by $3,333,695.

(9) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by $2,631,376; Special Session Laws 1997, Chapter 2 by $18; and Laws 1999, Chapter 240 by $24,887,000. Laws 2005, Chapter 20 also reduced Municipal Energy Building Bonds authorized by Laws 1994, Chapter 643 by $25,000; Laws 1994, Chapter 643 by $128,720; Laws 1999, Chapter 240 by $10,440,000 and Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,300,000; Special Session Laws 2001, Chapter 12 by $1,000,000; and Laws 2002, Chapter 393 by $352,923,000.

(10) The Governor vetoed $352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 13 below by increasing the bond authorization of Laws 1998, Chapter 404 by $2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the $2,700,000.

(11) The Governor vetoed $1,000,000 of appropriations for capital projects to be funded from Special Session Laws 2001, Chapter 12. The bond authorization was reduced to match the appropriations in the Laws 2005, Chapter 20.

(12) Laws of 2001, Chapter 55 converted $7 million of transportation improvement projects authorized in Laws 2000, Chapter 479 from general fund to Transporation Bonds and converted capital projects authorized in Laws 2000, Chapter 492 to be financed from Various Purpose general obligation bonds to general fund cash.

(13) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,964.000; Special Session Laws 1997, Chapter 2 by $10,000,000; and Laws 1999, Chapter 240 by $4,000,000. The $2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.

(14) The Governor vetoed $23,605,000 of appropriations for capital projects and $10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.

(15) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by $1,350,000. Laws 1998, Chapter 404 also reduced Transportation Bond authorization in Laws 1994, Chapter 643 by $10,000,000.

(16) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $9,260,000. Laws 1997, Chapter 202 also reduced; Transportation Bonds authorized in Laws 1990, Chapter 610 by $165,000; Reinvest in Minnesota Bond authorization in Laws 1990, Chapter 610 by $20,000.

(17) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $580,000; and Laws 1994, Chapter 643 by $1,245,000.

(18) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $115,000.

(19) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $2,500,000.

(20) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $2,500,000.

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State of Minnesota

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Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends

These schedules contain trend information to help understand and assess how the state's financial position has changed over time.

Revenue Capacity

These schedules contain information to assess the state's most significant revenue source, individual income taxes. Minnesota's data privacy laws prevent disclosing the names of principal taxpayers.

Debt Capacity

These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help understand the environment within which the state's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the state's financial report relates to the services the state provides and the activities it performs.

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2010 Comprehensive Annual Financial Report
Index of Statistical Section

Schedule 1 - Net Assets By Component
Last Nine Years
Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	$ 3,516,294	$ 4,998,667	$ 5,525,157	$ 5,943,503
Restricted	2,300,180	2,280,661	2,387,732	2,452,423
Unrestricted	2,364,102	(526,251)	(987,312)	(673,695)
Total Governmental Activities Net Assets	$ 8,180,576	$ 6,753,077	$ 6,925,577	$ 7,722,231
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	$ 776,233	$ 812,780	$ 872,804	$ 884,486
Restricted	431,695	151,812	86,291	520,745
Unrestricted	157,403	179,009	218,797	(1,096)
Total Business-type Activities Net Assets	$ 1,365,331	$ 1,143,601	$ 1,177,892	$ 1,404,135
Primary Government:				
Invested in Capital Assets, Net of Related Debt	$ 4,292,527	$ 5,811,447	$ 6,397,961	$ 6,827,989
Restricted	2,731,875	2,432,473	2,474,023	2,973,168
Unrestricted	2,521,505	(347,242)	(768,515)	(674,791)
Total Primary Government Net Assets	$ 9,545,907	$ 7,896,678	$ 8,103,469	$ 9,126,366

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2006	2007	2008	2009	2010
$ 6,468,103	$ 6,781,966	$ 7,775,939	$ 8,285,028	$ 8,947,341
2,482,626	2,703,598	2,693,756	2,552,659	3,060,905
649,481	1,317,416	489,661	(917,895)	(2,646,096)
$ 9,600,210	$ 10,802,980	$ 10,959,356	$ 9,919,792	$ 9,362,150
$ 931,297	$ 1,016,955	$ 1,108,136	$ 1,199,727	$ 1,293,856
852,943	1,058,032	1,140,070	737,400	509,705
(1,089)	(1,403)	(5,900)	(38,907)	(300,615)
$ 1,783,151	$ 2,073,584	$ 2,242,306	$ 1,898,220	$ 1,502,946
$ 7,399,400	$ 7,798,921	$ 8,884,075	$ 9,484,755	$ 10,241,197
3,335,569	3,761,630	3,833,826	3,290,059	3,570,610
648,392	1,316,013	483,761	(956,802)	(2,946,711)
$ 11,383,361	$ 12,876,564	$ 13,201,662	$ 11,818,012	$ 10,865,096

Schedule 2 - Changes in Net Assets
Last Nine Years
Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
Program Revenues:				
Governmental Activities:				
Charges for Services:				
Public Safety and Corrections	$ 104,577	$ 101,157	$ 138,359	$ 143,998
Transportation	3,976	16,445	15,473	17,451
Agricultural, Environmental and Energy Resources (1)	179,838	179,037	187,779	196,047
Economic and Workforce Development (1)	117,993	125,832	158,788	159,929
General Education	20,822	34,038	33,284	39,655
Higher Education	-	249	-	2
Health and Human Services	721,014	571,531	516,539	360,563
General Government	250,588	183,052	214,962	226,809
Operating Grants and Contributions				
Health and Human Services	3,229,846	3,764,754	3,874,378	4,075,420
All Others	1,468,115	1,454,634	1,554,481	1,480,801
Capital Grants and Contributions	21,508	131,632	269,786	261,236
Total Governmental Activities Program Revenues	$ 6,118,277	$ 6,562,361	$ 6,963,829	$ 6,961,911
Business-type Activities:				
Charges for Services:				
State Colleges and Universities	$ 539,365	$ 583,236	$ 636,138	$ 651,094
Unemployment Insurance	378,531	608,634	806,185	908,540
Lottery	352,618	351,815	387,800	408,011
Other	126,326	153,962	171,598	169,182
Operating Grants and Contributions	437,777	369,481	312,200	198,217
Capital Grants and Contributions	24,333	2,274	2,307	1,687
Total Business-type Activities Program Revenues	$ 1,858,950	$ 2,069,402	$ 2,316,228	$ 2,336,731
Total Primary Government Program Revenues	$ 7,977,227	$ 8,631,763	$ 9,280,057	$ 9,298,642
Expenses:				
Governmental Activities:				
Public Safety and Corrections	$ 702,345	$ 750,143	$ 731,438	$ 764,307
Transportation	1,619,806	1,727,604	1,662,402	1,685,256
Agricultural, Environmental and Energy Resources (1)	609,199	541,828	557,414	612,566
Economic and Workforce Development (1)	731,568	671,469	591,513	505,901
General Education	5,461,074	6,929,870	6,512,834	6,820,389
Higher Education	865,729	785,524	744,112	762,092
Health and Human Services	7,307,133	8,102,781	8,228,552	8,466,865
General Government	849,938	652,005	671,908	654,758
Intergovernmental Aid	1,287,768	1,480,533	1,355,683	1,284,576
Interest	161,129	169,023	181,323	184,573
Total Governmental Activities Expenses	$ 19,595,689	$ 21,810,780	$ 21,237,179	$ 21,741,283
Business-type Activities:				
State Colleges and Universities	$ 1,296,697	$ 1,386,493	$ 1,385,817	$ 1,394,893
Unemployment Insurance	946,562	1,054,281	931,659	686,818
Lottery	296,985	273,884	287,550	302,575
Other	132,479	153,397	166,923	172,886
Total Business-type Activities Expenses	$ 2,672,723	$ 2,868,055	$ 2,771,949	$ 2,557,172
Total Primary Government Expenses	$ 22,268,412	$ 24,678,835	$ 24,009,128	$ 24,298,455

(1) Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

	2006	2007	2008	2009	2010
	$ 174,807	$ 130,830	$ 143,073	$ 159,155	$ 156,139
	19,226	18,796	21,474	45,385	25,397
	218,376	335,670	360,056	339,523	358,666
	214,650	44,551	52,400	47,377	49,212
	38,808	42,943	54,662	42,192	21,342
	-	-	-	-	3
	447,404	265,853	330,570	285,963	353,929
	245,015	278,846	240,331	270,153	266,565
	4,187,909	4,609,077	4,909,527	5,996,063	6,775,255
	1,506,094	1,891,362	1,767,796	1,758,923	3,388,958
	452,197	236,700	449,765	272,736	206,292
	$ 7,504,486	$ 7,854,628	$ 8,329,654	$ 9,217,470	$ 11,601,758
	$ 694,053	$ 750,742	$ 794,091	$ 827,997	$ 771,104
	1,054,227	946,269	835,725	800,590	972,425
	449,761	422,570	461,565	482,738	499,271
	178,764	230,657	233,944	232,570	246,829
	176,023	187,530	217,224	872,484	1,958,195
	1,963	1,839	1,142	4,262	1,554
	$ 2,554,791	$ 2,539,607	$ 2,543,691	$ 3,220,641	$ 4,449,378
	$ 10,059,277	$ 10,394,235	$ 10,873,345	$ 12,438,111	$ 16,051,136
	$ 818,192	$ 855,328	$ 901,641	$ 944,400	$ 958,915
	1,791,316	1,795,056	2,047,500	2,068,880	2,468,573
	525,251	762,549	825,842	834,458	950,738
	273,510	568,064	704,501	695,314	715,085
	7,336,455	7,323,406	7,675,567	7,811,723	8,042,744
	786,563	921,339	981,943	912,011	981,859
	8,823,115	9,596,061	10,296,359	11,248,700	11,949,235
	718,996	771,733	816,111	800,123	762,238
	1,400,479	1,489,439	1,511,715	1,435,897	1,558,453
	172,612	208,719	221,162	210,435	261,802
	$ 22,646,489	$ 24,291,694	$ 25,982,341	$ 26,961,941	$ 28,649,642
	$ 1,479,519	$ 1,550,936	$ 1,675,051	$ 1,743,609	$ 1,802,527
	690,713	735,987	828,857	1,865,939	3,038,557
	332,031	311,893	346,834	363,832	377,025
	183,043	215,005	228,361	235,163	222,110
	$ 2,685,306	$ 2,813,821	$ 3,079,103	$ 4,208,543	$ 5,440,219
	$ 25,331,795	$ 27,105,515	$ 29,061,444	$ 31,170,484	$ 34,089,861

Schedule 2 - Changes in Net Assets (Cont'd.)
Last Eight Years
Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
Net (Expense)/Revenue:				
Governmental Activities	$ (13,477,412)	$ (15,248,419)	$ (14,273,350)	$ (14,779,372)
Business-type Activities	(813,773)	(798,653)	(455,721)	(220,441)
Total Primary Government Net Expense	$ (14,291,185)	$ (16,047,072)	$ (14,729,071)	$ (14,999,813)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual Income Taxes	$ 5,419,220	$ 5,497,328	$ 5,863,383	$ 6,556,331
Corporate Income Taxes	428,614	636,214	643,442	702,839
Sales Taxes	3,777,259	3,924,424	3,911,496	4,269,837
Property Taxes	308,337	594,094	608,860	603,412
Motor Vehicle Taxes	616,616	606,137	587,223	552,856
Fuel Taxes	614,285	656,326	643,964	652,493
Other Taxes	1,862,382	1,981,468	2,190,491	2,417,175
Tobacco Settlement	380,024	261,525	173,173	178,177
Unallocated Investment/Interest Income	83,432	24,049	32,712	42,753
Other Revenues	71,621	203,206	178,255	63,182
Special Item	134,000	30,000	-	-
Transfers	(615,758)	(548,291)	(471,382)	(425,180)
Total Governmental Activities	$ 13,080,032	$ 13,866,480	$ 14,361,617	$ 15,613,875
Business-type Activities:				
Unallocated Investment/Interest Income	$ 35,853	$ 15,697	$ 16,213	$ 9,264
Other Revenues	721	9,294	2,417	12,240
Transfers	615,758	548,291	471,382	425,180
Total Business-type Activities	$ 652,332	$ 573,282	$ 490,012	$ 446,684
Total Primary Government General Revenues	$ 13,732,364	$ 14,439,762	$ 14,851,629	$ 16,060,559
Change in Net Assets:				
Governmental Activities:	$ (397,380)	$ (1,381,939)	$ 88,267	$ 834,503
Prior Period Adjustments	-	(41,919)	84,233	(37,849)
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	(3,641)	-	-
Change in Inventory	2,441	-	-	-
Business-type Activities:	(161,441)	(225,371)	34,291	226,243
Prior Period Adjustments	-	-	-	-
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	-	3,641	-	-
Total Primary Government Change in Net Assets	$ (556,380)	$ (1,649,229)	$ 206,791	$ 1,022,897

(1) Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic A27and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2006	2007	2008	2009	2010
$ (15,142,003)	$ (16,437,066)	$ (17,652,687)	$ (17,744,471)	$ (17,047,884)
(130,515)	(274,214)	(535,412)	(987,902)	(990,841)
$ (15,272,518)	$ (16,711,280)	$ (18,188,099)	$ (18,732,373)	$ (18,038,725)
$ 7,069,242	$ 7,463,959	$ 7,929,096	$ 7,203,337	$ 6,792,510
1,189,328	1,160,380	1,039,843	741,049	539,534
4,439,667	4,600,984	4,474,576	4,338,748	4,379,236
633,288	667,395	703,972	733,899	746,685
539,468	1,025,820	1,011,494	955,785	997,214
659,980	647,168	651,988	758,271	826,574
2,663,939	2,154,689	2,149,162	2,206,648	2,224,237
184,139	184,924	186,425	176,140	157,924
101,803	155,016	121,638	57,790	21,242
28,447	91,867	103,416	95,316	145,608
-	-	-	-	-
(474,090)	(510,578)	(654,359)	(610,880)	(543,525)
$ 17,035,211	$ 17,641,624	$ 17,717,251	$ 16,656,103	$ 16,287,239
$ 18,300	$ 26,786	$ 48,126	$ 32,306	$ 8,483
17,141	17,811	1,649	630	-
474,090	510,578	654,359	610,880	543,525
$ 509,531	$ 555,175	$ 704,134	$ 643,816	$ 552,008
$ 17,544,742	$ 18,196,799	$ 18,421,385	$ 17,299,919	$ 16,839,247
$ 1,893,208	$ 1,204,558	$ 64,564	$ (1,088,368)	$ (760,645)
(15,229)	7,684	-	94,658	87,186
-	-	91,812	(45,854)	115,817
-	(9,472)	-	-	-
-	-	-	-	-
379,016	280,961	168,722	(344,086)	(438,833)
-	-	-	-	43,559
-	-	-	-	-
-	9,472	-	-	-
$ 2,256,995	$ 1,493,203	$ 325,098	$ (1,383,650)	$ (952,916)

Schedule 3 - Fund Balances - Governmental Funds
Last Nine Years
Modified Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
General Fund:				
Reserved	$ 146,286	$ 74,766	$ 120,506	$ 161,257
Designated	482,657	-	-	-
Undesignated	56,516	(1,006,866)	(448,465)	(68,292)
Total General Fund	$ 685,459	$ (932,100)	$ (327,959)	$ 92,965
All Other Governmental Funds:				
Reserved	$ 3,755,023	$ 3,944,156	$ 2,543,206	$ 2,797,593
Designated, Reported In:				
Special Revenue Funds	783,976	442,662	580,118	484,012
Debt Service Fund	-	-	-	-
Permanent Funds	-	-	-	-
Undesignated, Reported In:				
Special Revenue Funds	472,520	396,014	262,630	189,873
Capital Projects Funds	1,608	44	(62,340)	(8,187)
Total All Other Governmental Funds	$ 5,013,127	$ 4,782,876	$ 3,323,614	$ 3,463,291
Total Governmental Funds	$ 5,698,586	$ 3,850,776	$ 2,995,655	$ 3,556,256

Notes: Due to significant fund structure changes that occurred when the state implemented GASB Statement No. 34 in fiscal year 2002, earlier financial statement information is not presented.

The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Fiscal year 2010 fund balance classifications are not comparable to prior years' classifications.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2006	2007	2008	2009	2010
$ 228,640	$ 155,985	$ 153,150	$ 111,182	$ -
610,167	1,124,122	689,476	-	-
-	-	-	(752,490)	-
$ 838,807	$ 1,280,107	$ 842,626	$ (641,308)	$ -
$ 2,805,382	$ 2,020,610	$ 1,931,753	$ 1,858,589	$ -
715,202	1,139,133	1,266,623	1,214,750	-
-	704,800	707,086	742,069	-
-	15,690	9,479	5,862	-
239,599	243,192	339,989	344,884	-
(48,184)	6,044	(12,873)	2,472	-
$ 3,711,999	$ 4,129,469	$ 4,242,057	$ 4,168,626	$ -
$ 4,550,806	$ 5,409,576	$ 5,084,683	$ 3,527,318	$ -

Schedule 3 - Fund Balances - Governmental Funds
Last Nine Years
Modified Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
General Fund:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ -	$ -	$ -	$ -
All Other Governmental Funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ -	$ -	$ -	$ -
Total Governmental Funds	$ -	$ -	$ -	$ -

Notes: Due to significant fund structure changes that occurred when the state implemented GASB Statement No. 34 in fiscal year 2002, earlier financial statement information is not presented.

The State implemented GASB Statement No. 54 in fiscal year 2010, which significantly changed the fund balance classifications. Fiscal year 2010 fund balance classifications are not comparable to prior years' classifications.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2006	2007	2008	2009	2010
$ -	$ -	$ -	$ -	$ 465,601
-	-	-	-	173,687
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(1,525,534)
$ -	$ -	$ -	$ -	$ (886,246)
$ -	$ -	$ -	$ -	$ 718,469
-	-	-	-	2,380,542
-	-	-	-	537,009
-	-	-	-	3,920
-	-	-	-	-
$ -	$ -	$ -	$ -	$ 3,639,940
$ -	$ -	$ -	$ -	$ 2,753,694

Schedule 4 - Changes in Fund Balances - Governmental Funds
Last Nine Years
Modified Accrual Basis of Accounting
(In Thousands)

	2002	2003	2004	2005
Revenues:				
Individual Income Taxes	$ 5,439,186	$ 5,477,799	$ 5,836,790	$ 6,534,422
Corporate Income Taxes	454,318	572,689	648,837	711,136
Sales Taxes	3,795,942	3,822,453	3,959,236	4,281,391
Property Taxes	305,573	585,416	599,622	610,809
Motor Vehicle Taxes	1,111,953	1,109,090	1,096,890	1,067,444
Fuel Taxes	611,886	645,886	651,261	655,162
Federal Revenues	4,650,483	5,265,603	5,550,606	5,606,553
Other Taxes and Revenues	3,121,250	3,212,677	3,396,171	3,591,776
Total Revenues	$ 19,490,591	$ 20,691,613	$ 21,739,413	$ 23,058,693
Expenditures:				
Current:				
Public Safety and Corrections	$ 695,305	$ 748,482	$ 711,888	$ 753,260
Transportation	1,610,669	1,724,106	1,647,447	1,644,500
Agricultural, Environmental and Energy Resources (1)	637,139	594,696	575,363	578,000
Economic and Workforce Development (1)	776,484	750,463	649,090	617,247
General Education	5,460,622	6,929,529	6,512,633	6,820,292
Higher Education	864,395	785,887	745,406	764,072
Health and Human Services	7,118,313	8,091,315	8,229,553	8,465,547
General Government	712,474	604,481	617,052	622,177
Intergovernment Aid	1,287,768	1,480,533	1,355,683	1,284,576
Securities Lending Rebates and Fees	25,408	6,968	3,854	9,030
Capital Outlay	500,458	572,534	701,372	703,777
Debt Service:				
Principal	241,855	275,718	253,127	260,930
Interest	142,567	144,940	184,833	184,191
Total Expenditures	$ 20,073,457	$ 22,709,652	$ 22,187,301	$ 22,707,599
Excess of Revenues Over (Under) Expenditures	$ (582,866)	$ (2,018,039)	$ (447,888)	$ 351,094
Other Financing Sources (Uses):				
Bond Proceeds	$ 602,613	$ 256,362	$ 417,937	$ 507,294
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	-	14,897	-	17,885
Proceeds from Refunding Bonds	37,405	391,680	20,855	171,880
Payment of Refunding Bonds	(37,405)	-	(425,715)	(171,880)
Bond Issue Premium	35,476	58,252	33,455	61,662
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(601,319)	(523,318)	(456,971)	(387,029)
Capital Leases	3,326	3,134	1,774	8,387
Total Other Financing Sources (Uses)	$ 40,096	$ 201,007	$ (408,665)	$ 208,199
Changes in Inventory	2,441	(321)	1,432	1,308
Changes in Fund Structure	2,241,775	(1,117)	-	-
Changes in Accounting Principles	67,749	-	-	-
Prior Period Adjustments	(26,608)	(59,340)	-	-
Special Item	134,000	30,000	-	-
Net Change in Fund Balances	$ 1,876,587	$ (1,847,810)	$ (855,121)	$ 560,601
Debt Service as a Percentage of Noncapital Expenditures	2.0%	1.9%	2.0%	2.0%

(1) Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Note: The state implemented GASB Statement No. 34 in fiscal year 2002. Data begins that year.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2006	2007	2008	2009	2010
$ 7,068,712	$ 7,412,381	$ 7,932,036	$ 7,162,974	$ 6,729,244
1,189,915	1,163,095	1,024,040	727,928	540,504
4,473,275	4,513,452	4,499,550	4,279,178	4,411,277
631,279	665,746	704,246	729,373	766,830
1,037,593	1,025,820	1,011,494	955,785	997,214
659,647	648,078	651,860	756,381	825,341
5,864,373	6,333,686	6,858,191	7,887,945	10,020,456
4,080,518	4,027,767	4,005,067	3,810,907	4,074,393
$ 25,005,312	$ 25,790,025	$ 26,686,484	$ 26,310,471	$ 28,365,259
$ 793,202	$ 813,636	$ 858,385	$ 891,480	$ 901,983
1,776,980	1,765,410	2,029,762	2,040,334	2,416,333
537,220	755,168	782,381	866,963	918,410
703,108	605,784	719,801	704,736	755,337
7,337,888	7,320,491	7,673,220	7,808,279	8,038,447
786,606	922,772	983,319	913,292	981,868
8,820,143	9,581,606	10,298,462	11,238,043	11,929,558
690,753	699,585	772,835	753,882	730,091
1,400,479	1,489,439	1,511,715	1,435,897	1,549,453
18,049	29,929	21,534	1,237	132
854,612	693,041	818,701	746,955	643,736
288,932	349,941	373,619	389,371	381,845
183,240	222,175	220,957	230,645	295,974
$ 24,191,212	$ 25,248,977	$ 27,064,691	$ 28,021,114	$ 29,543,167
$ 814,100	$ 541,048	$ (378,207)	$ (1,710,643)	$ (1,177,908)
$ 377,949	$ 720,445	$ 637,744	$ 675,810	$ 722,904
-	-	-	-	74,980
24,388	24,610	414	549	5,729
160,960	264,050	-	155,415	426,505
(160,960)	(264,050)	-	(155,415)	(426,505)
45,141	57,918	34,016	56,112	108,704
-	-	-	-	7,411
(449,246)	(479,598)	(622,455)	(580,540)	(523,176)
180,005	1,090	1,308	-	3,356
$ 178,237	$ 324,465	$ 51,027	$ 151,931	$ 399,908
-	2,845	2,287	1,347	4,376
-	(9,588)	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 992,337	$ 858,770	$ (324,893)	$ (1,557,365)	$ (773,624)
2.0%	2.3%	2.3%	2.3%	2.3%

Schedule 5 - Revenue Base
Personal Income By Industry
Last Nine Calendar Years

	2001	2002	2003
Farm Earnings	$ 1,004,155	$ 980,509	$ 1,890,660
Private Earnings:			
Forestry, Fishing, Related Activities	$ 298,387	$ 282,013	$ 296,927
Mining	415,323	380,852	399,799
Utilities	1,143,504	1,176,293	1,136,952
Construction	8,994,221	9,279,159	9,693,308
Manufacturing:			
Durable Goods Manufacturing	13,321,368	13,377,345	13,858,423
Nondurable Goods Manufacturing	6,632,406	6,981,285	7,155,596
Wholesale Trade	8,499,396	8,605,381	8,930,235
Retail Trade	8,676,404	8,974,539	9,258,367
Transportation and Warehousing	5,276,600	5,010,525	5,178,203
Information	4,021,489	4,005,539	3,915,092
Finance and Insurance	10,306,601	10,702,728	11,492,034
Real Estate and Rental and Leasing	2,532,330	2,821,021	2,893,049
Professional and Technical Services	10,115,591	10,074,878	10,221,545
Management of Companies and Enterprises	6,231,039	6,062,365	6,052,241
Administrative and Waste Services	3,906,768	3,991,636	4,124,896
Educational Services	1,377,067	1,525,624	1,621,389
Health Care and Social Assistance	12,536,745	13,859,167	14,908,626
Arts, Entertainment, and Recreation	1,187,536	1,317,325	1,440,220
Accommodation and Food Services	3,131,273	3,215,164	3,376,348
Other Services, Except Public Administration	4,728,135	5,266,709	5,232,613
Total Private Earnings	$ 113,332,183	$ 116,909,548	$ 121,185,863
Government and Government Enterprises:			
Federal, Civilian	$ 2,314,424	$ 2,434,264	$ 2,557,012
Military	368,330	473,651	663,606
State and Local	14,823,299	15,625,483	16,089,018
Total Government and Government Enterprises	$ 17,506,053	$ 18,533,398	$ 19,309,636
Nonfarm Earnings	130,838,236	135,442,946	140,495,499
Total Earnings By Industry	$ 131,842,391	$ 136,423,455	$ 142,386,159
Derivation of Personal Income:			
Earnings By Place of Work	$ 131,842,391	$ 136,423,455	$ 142,386,159
Other Personal Income (1)	34,324,879	34,574,578	35,760,502
Personal income	$ 166,167,270	$ 170,998,033	$ 178,146,661

(1) Adjustments for Residence, Dividends, Interest, Rent and Transfer Receipts less Social Security Benefits

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 20, 2010.

Note The Personal Income by Industry Report for 2001 and later is not directly comparable to previous years because of a major change in the way in which the data was summarized. The Federal government changed its industry classification system from the Standard Industrial Classification (SIC) to the North American Industry Classification System (NAICS). The change to NAICS codes was an improvement in a number of ways. For example, NAICS codes reflect recent technological changes and also the growth and diversification of services. In 2001, the Bureau of Economic Affairs changed to the new NAICS system. Because of this change, a direct comparison of the 2001 data with any earlier data is not possible.

2004	2005	2006	2007	2008	2009
$ 2,466,520	$ 3,089,441	$ 2,680,438	$ 2,611,808	$ 4,437,239	$ 3,055,131
$ 301,315	$ 301,845	$ 322,520	$ 326,460	$ 334,601	$ 343,486
430,736	453,720	510,529	496,748	635,598	482,940
1,273,103	1,248,361	1,359,490	1,341,738	1,486,868	1,515,451
10,377,189	10,574,558	10,519,155	10,156,740	9,508,248	8,019,344
14,703,033	14,903,048	15,139,874	15,484,077	15,516,229	14,102,116
7,284,143	7,260,833	7,557,310	7,582,545	7,735,234	7,338,273
9,500,469	10,025,738	10,539,400	11,077,061	11,523,055	10,760,403
9,590,980	9,571,126	9,640,300	9,774,633	9,498,383	9,077,948
5,433,112	5,583,772	5,294,729	5,539,557	5,749,921	5,170,534
4,091,623	4,142,205	4,179,078	4,417,478	4,467,624	4,294,343
12,187,514	12,647,381	13,391,232	14,040,372	13,405,787	13,092,848
2,914,275	2,970,362	2,983,106	2,651,231	2,712,748	2,619,612
10,825,901	11,440,141	12,375,438	13,449,811	14,365,535	13,778,816
6,926,319	6,719,458	7,217,755	8,291,781	9,430,065	7,755,681
4,333,128	4,611,705	4,902,735	5,080,034	5,112,934	4,655,383
1,739,372	1,781,380	1,938,994	2,110,834	2,260,907	2,366,580
15,988,253	16,675,293	18,059,007	19,245,134	20,244,583	21,238,553
1,502,810	1,523,561	1,731,523	1,780,233	1,826,320	1,749,050
3,587,470	3,677,062	3,795,917	4,026,521	3,950,264	3,826,791
5,453,478	5,693,557	5,824,217	5,964,706	5,905,855	5,763,550
$ 128,444,223	$ 131,805,106	$ 137,282,309	$ 142,837,694	$ 145,670,759	$ 137,951,702
$ 2,757,741	$ 2,832,440	$ 2,995,599	$ 3,059,076	$ 3,177,572	$ 3,260,605
745,144	966,040	896,525	971,403	960,408	1,058,107
16,567,688	17,138,227	17,962,127	18,750,648	19,761,405	20,210,589
$ 20,070,573	$ 20,936,707	$ 21,854,251	$ 22,781,127	$ 23,899,385	$ 24,529,301
148,514,796	152,741,813	159,136,560	165,618,821	169,570,144	162,481,003
$ 150,981,316	$ 155,831,254	$ 161,816,998	$ 168,230,629	$ 174,007,383	$ 165,536,134
$ 150,981,316	$ 155,831,254	$ 161,816,998	$ 168,230,629	$ 174,007,383	$ 165,536,134
37,348,629	38,158,390	44,040,406	48,447,030	52,151,340	54,901,449
$ 188,329,945	$ 193,989,644	$ 205,857,404	$ 216,677,659	$ 226,158,723	$ 220,437,583

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2001 Through 2010

Tax Year 2001

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 26,480	$26,481 - $105,200	$ 105,200
Married Separate	$ 13,240	$13,241 - $ 52,600	$ 52,600
Single	$ 18,120	$18,121 - $ 59,500	$ 59,500
Head of Household	$ 22,300	$22,301 - $ 89,610	$ 89,610

Tax Year 2002

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 27,350	$27,351 - $108,660	$ 108,660
Married Separate	$ 13,680	$13,681 - $ 54,330	$ 54,330
Single	$ 18,710	$18,711 - $ 61,460	$ 61,460
Head of Household	$ 23,040	$23,041 - $ 92,560	$ 92,560

Tax Year 2003

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 27,780	$27,781 - $110,390	$ 110,390
Married Separate	$ 13,890	$13,891 - $ 55,200	$ 55,200
Single	$ 19,010	$19,011 - $ 62,440	$ 62,440
Head of Household	$ 23,400	$23,401 - $ 94,030	$ 94,030

Tax Year 2004

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 28,420	$28,421 - $112,910	$ 112,910
Married Separate	$ 14,210	$14,211 - $ 56,460	$ 56,460
Single	$ 19,440	$19,441 - $ 63,860	$ 63,860
Head of Household	$ 23,940	$23,941 - $ 96,180	$ 96,180

Tax Year 2005

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 29,070	$29,071 - $115,510	$ 115,510
Married Separate	$ 14,540	$14,541 - $ 57,760	$ 57,760
Single	$ 19,890	$19,891 - $ 65,330	$ 65,330
Head of Household	$ 24,490	$24,491 - $ 98,390	$ 98,390

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2001 Through 2010 - (Cont'd.)

Tax Year 2006

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 29,980	$29,981 - $119,100	$ 119,100
Married Separate	$ 14,990	$14,991 - $ 59,550	$ 59,550
Single	$ 20,510	$20,511 - $ 67,360	$ 67,360
Head of Household	$ 25,250	$25,251 - $101,450	$ 101,450

Tax Year 2007

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 31,150	$31,151 - $123,750	$ 123,750
Married Separate	$ 15,580	$15,581 - $ 61,880	$ 61,880
Single	$ 21,310	$21,311 - $ 69,990	$ 69,990
Head of Household	$ 26,230	$26,231 - $105,410	$ 105,410

Tax Year 2008

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 31,860	$31,861 - $126,580	$ 126,580
Married Separate	$ 15,930	$15,931 - $ 63,290	$ 63,290
Single	$ 21,800	$21,801 - $ 71,590	$ 71,590
Head of Household	$ 26,830	$26,831 - $107,820	$ 107,820

Tax Year 2009

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 33,220	$33,221 - $131,970	$ 131,970
Married Separate	$ 16,610	$16,611 - $ 65,990	$ 65,990
Single	$ 22,730	$22,731 - $ 74,650	$ 74,650
Head of Household	$ 27,980	$27,981 - $112,420	$ 112,420

Tax Year 2010

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 33,280	$33,281 - $132,220	$ 132,220
Married Separate	$ 16,640	$16,641 - $ 66,110	$ 66,110
Single	$ 22,770	$22,771 - $ 74,780	$ 74,780
Head of Household	$ 28,030	$28,031 - $112,620	$ 112,620

Source: Minnesota Department of Revenue Tax Research Division
Minnesota Taxable Income is the Federal Taxable Income modified for state-specific additions and subtractions.

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Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 1999 and 2008

Calendar Year 1999

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability[1]	Percent of Total
$ 0 – 4,999	249,889	10.43%	$ 3,722,673	0.07%
$ 5,000 – 9,999	224,446	9.37%	18,901,496	0.35%
$ 10,000 – 19,999	384,467	16.04%	111,000,783	2.07%
$ 20,000 – 29,999	323,167	13.49%	242,409,164	4.53%
$ 30,000 – 39,999	265,534	11.08%	340,144,594	6.35%
$ 40,000 – 49,999	197,140	8.23%	342,045,948	6.39%
$ 50,000 – 99,999	550,327	22.97%	1,670,868,392	31.21%
$ 100,000 – 249,999	162,360	6.78%	1,193,241,339	22.29%
$ 250,000 – 499,999	23,883	1.00%	465,182,828	8.69%
$ 500,000 & Over	15,091	0.63%	966,627,525	18.05%
	2,396,304	100.00%	$5,354,144,742	100.00%

Calendar Year 2008

Federal Adjusted Gross Income	Number of Filers	Percent of Total	Personal Income Tax Liability[1]	Percent of Total
$ 0 – 4,999	233,988	9.19%	$ 3,588,683	0.05%
$ 5,000 – 9,999	201,728	7.92%	6,797,920	0.09%
$ 10,000 – 19,999	324,131	12.73%	66,515,188	0.93%
$ 20,000 – 29,999	301,465	11.84%	173,397,454	2.41%
$ 30,000 – 39,999	253,703	9.96%	260,376,454	3.63%
$ 40,000 – 49,999	207,963	8.17%	322,014,928	4.48%
$ 50,000 – 99,999	645,261	25.34%	1,847,773,404	25.73%
$ 100,000 – 249,999	317,385	12.46%	2,183,190,792	30.40%
$ 250,000 – 499,999	39,304	1.54%	744,386,446	10.37%
$ 500,000 & Over	21,726	0.85%	1,572,896,921	21.90%
	2,546,654	100.00%	$ 7,180,938,190	100.00%

[1] Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2008 is the most recent year available.

Source: Minnesota Department of Revenue, 1999 and 2008 Individual Income Tax Sample.

Schedule 8 - Ratios of Outstanding and General Bonded Debt
Last Ten Years
(In Thousands)

	2001	2002	2003	2004
Governmental Activities:				
General Obligation Bonds	$ 2,588,155	$ 2,923,221	$ 3,295,545	$ 3,055,496
Bond Premium (1)	-	-	92,387	117,619
Loans	36,643	39,618	24,198	19,653
Revenue Bonds	16,100	-	-	-
Capital Leases	26,357	18,027	8,846	9,085
Total	$ 2,667,255	$ 2,980,866	$ 3,420,976	$ 3,201,853
Business-type Activities:				
General Obligation Bonds	$ 4,440	$ 108,874	$ 125,950	$ 141,859
Bond Premium (1)	-	-	1,694	3,242
Loans	1,965	4,498	135,486	275,703
Revenue Bonds	1,410	53,365	52,925	51,410
Capital Leases	-	8,578	12,483	14,868
Total	$ 7,815	$ 175,315	$ 328,538	$ 487,082
Total Debt to the Primary Government	$ 2,675,070	$ 3,156,181	$ 3,749,514	$ 3,688,935
Less: Set Aside to Repay General Debt	$ (257,534)	$ (243,830)	$ (263,810)	$ (258,925)
Net Debt to the Primary Government	$ 2,417,536	$ 2,912,351	$ 3,485,704	$ 3,430,010
Total Personal Income	$ 160,833,329	$ 166,167,270	$ 170,998,033	$ 178,146,661
Ratio of Total Debt to Personal Income	1.66%	1.90%	2.19%	2.07%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 537	$ 628	$ 741	$ 724
Ratio of Net General Obligation Debt to Personal Income	1.45%	1.68%	1.85%	1.65%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 468	$ 555	$ 624	$ 577

(1) Bond Premium information not available prior to 2003.

(2) Estimate.

(3) Based on projected 2010 population. U.S. Census Bureau, Population Division.

Sources: The state's Comprehensive Annual Financial Report for the relevant year.
Bureau of Economic Analysis, U.S. Department of Commerce

	2005	2006	2007	2008	2009	2010
	$ 3,315,282	$ 3,414,239	$ 3,791,494	$ 4,330,291	$ 4,667,902	$ 5,103,210
	168,574	201,142	245,209	-	-	-
	17,130	45,918	60,494	59,889	53,658	41,319
	-	-	15,145	14,500	13,715	12,900
	11,037	182,930	172,732	167,877	161,629	158,175
	$ 3,512,023	$ 3,844,229	$ 4,285,074	$ 4,572,557	$ 4,896,904	$ 5,315,604
	$ 145,028	$ 156,896	$ 188,096	$ 224,090	$ 241,946	$ 250,353
	4,420	7,735	11,594	-	-	-
	87,376	5,832	5,419	5,829	5,582	603,020
	52,475	95,780	170,941	209,719	278,246	320,779
	26,497	26,520	25,382	22,647	20,324	18,662
	$ 315,796	$ 292,763	$ 401,432	$ 462,285	$ 546,098	$ 1,192,814
	$ 3,827,819	$ 4,136,992	$ 4,686,506	$ 5,034,842	$ 5,443,002	$ 6,508,418
	$ (286,535)	$ (313,324)	$ (372,510)	$ (368,800)	$ (406,310)	$ (420,055)
	$ 3,541,284	$ 3,823,668	$ 4,313,996	$ 4,666,042	$ 5,036,692	$ 6,088,363
	$ 188,329,945	$ 193,989,644	$ 205,857,404	$ 216,677,659	$ 226,158,723	$ 220,437,583 (2)
	2.03%	2.13%	2.28%	2.32%	2.41%	2.95%
	$ 747	$ 801	$ 902	$ 969	$ 1,043	$ 1,236 (3)
	1.69%	1.68%	1.75%	1.93%	1.99%	2.24%
	$ 619	$ 631	$ 694	$ 805	$ 863	$ 937

Schedule 9 - Pledged Revenue Coverage
Last Ten Fiscal Years (In Thousands)

	2001	2002	2003	2004
State University Board Revenue				
- Segment of College and University Enterprise Fund				
Gross Revenues[(1)]	$ 54,385	$ 55,964	$ 60,606	$ 66,221
Less: Operating Expenses[(2)]	(42,343)	(47,830)	(47,599)	(54,221)
Net Available Revenue	$ 12,042	$ 8,134	$ 13,007	$ 12,000
Debt Service				
Principal	$ 27,390	$ -	$ -	$ 1,065
Interest	2,933	-	2,247	1,695
Total Debt Service	$ 30,323	$ -	$ 2,247	$ 2,760
Coverage	0.40	N/A	5.79	4.35
Vermilion Community College and Itasca Community College Student Housing				
- Segments of College and University Enterprise Fund				
Gross Revenues[(1)]	$ 555	$ 544	$ 570	$ 595
Less: Operating Expenses[(2)]	(329)	(309)	(335)	(332)
Net Available Revenue	$ 226	$ 235	$ 235	$ 263
Debt Service				
Principal	$ 110	$ 120	$ 130	$ 140
Interest	110	101	96	86
Total Debt Service	$ 220	$ 221	$ 226	$ 226
Coverage	1.03	1.06	1.04	1.16
Giants Ridge Enterprise Fund[(4)]				
Gross Revenues[(1)]	$ 4,718	$ 3,455	$ 3,128	$ 4,994
Less: Operating Expenses[(2)]	(3,982)	(4,070)	(3,876)	(4,283)
Net Available Revenue	$ 736	$ (615)	$ (748)	$ 711
Debt Service				
Principal[(3)]	$ -	$ 200	$ 310	$ 310
Interest	1,066	151	574	1,170
Total Debt Service	$ 1,066	$ 351	$ 884	$ 1,480
Coverage	0.69	(1.75)	(0.85)	0.48

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.

(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.

(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.

(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.

(5) Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.

(6) Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.

(7) Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.

(8) With the implementation of GASB Statement Number 54, the Iron Range Resources and Rehabilitation Fund Fund moved to the General Fund. Beginning with Fiscal Year 2010, it is shown separately from the D.J. Johnson Economic Protection Trust Fund.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2005	2006	2007	2008	2009	2010
$ 70,091	$ 76,901	$ 83,073	$ 88,884	$ 96,248	$ 101,311
(53,884)	(57,496)	(60,778)	(65,166)	(69,867)	(71,426)
$ 16,207	$ 19,405	$ 22,295	$ 23,718	$ 26,381	$ 29,885
$ 1,115	$ 1,222	$ 1,875	$ 1,945	$ 2,945	$ 6,125
1,401	3,496	4,663	5,374	7,091	10,816
$ 2,516	$ 4,718	$ 6,538	$ 7,319	$ 10,036	$ 16,941
6.44	4.11	3.41	3.24	2.63	1.76
$ 595	$ 1,010	$ 1,074	$ 1,038	$ 618	$ 628
(385)	(660)	(567)	(675)	(346)	(338)
$ 210	$ 350	$ 507	$ 363	$ 272	$ 290
$ 150	$ 230	$ 370	$ 135	$ 145	$ 145
75	189	170	155	148	141
$ 225	$ 419	$ 540	$ 290	$ 293	$ 286
0.93	0.84	0.94	1.25	0.93	1.01
$ 5,138	$ 4,693	$ 4,204	$ 4,338	$ 4,195	$ 4,184
(4,532)	(5,139)	(5,293)	(5,447)	(5,796)	(5,889)
$ 606	$ (446)	$ (1,089)	$ (1,109)	$ (1,601)	$ (1,705)
$ 615	$ 615	$ 665	$ 705	$ 760	$ 815
1,071	1,045	1,009	963	917	858
$ 1,686	$ 1,660	$ 1,674	$ 1,668	$ 1,677	$ 1,673
0.36	(0.27)	(0.65)	(0.66)	(0.95)	(1.02)

Schedule 9 - Pledged Revenue Coverage (Cont'd.)
Last Ten Fiscal Years (In Thousands)

	2001	2002	2003	2004
Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J. Johnson Economic Protection Trust Funds[5] [8]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ -
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A
Iron Range Resources and Rehabilitation Agency (IRRRA)[8]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ -
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A
911 Services Fund[6]				
911 Services Fees	$ -	$ -	$ -	$ -
Less: Operating Expenses[2]	-	-	-	-
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.
(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.
(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
(5) Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
(6) Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008,
(7) Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.
(8) With the implementation of GASB Statement Number 54, the Iron Range Resources and Rehabilitation Fund Fund moved to the General Fund. Beginning with Fiscal Year 2010, it is shown separately from the D.J. Johnson Economic Protection Trust Fund.

Source: The state's Comprehensive Annual Financial Report for the relevant year.

2005	2006	2007	2008	2009	2010
$ -	$ -	$ 36,189	$ 37,975	$ 50,326	$ 3,197
$ -	$ -	$ 36,189	$ 37,975	$ 50,326	$ 3,197
$ -	$ -	$ -	$ 644	$ 786	$ 408
-	-	529	640	610	289
$ -	$ -	$ 529	$ 1,284	$ 1,396	$ 697
N/A	N/A	68.41	29.58	36.05	4.59
$ -	$ -	$ -	$ -	$ -	$ 19,612
$ -	$ -	$ -	$ -	$ -	$ 19,612
$ -	$ -	$ -	$ -	$ -	$ 408
-	-	-	-	-	289
$ -	$ -	$ -	$ -	$ -	$ 697
N/A	N/A	N/A	N/A	N/A	28.14
$ -	$ -	$ 49,527	$ 52,271	$ 52,677	$ 60,229
-	-	(15,052)	(25,812)	(23,225)	(7,290)
$ -	$ -	$ 34,475	$ 26,459	$ 29,452	$ 52,939
$ -	$ -	$ -	$ 2,590	$ 5,365	$ 13,375
-	-	976	1,672	2,453	4,642
$ -	$ -	$ 976	$ 4,262	$ 7,818	$ 18,017
N/A	N/A	35.32	6.21	3.77	2.94

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Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2000	4,933,958	$ 160,833,329	$ 32,597	35.4	3.1%
2001	4,982,813	$ 166,167,270	$ 33,348	35.7	3.8%
2002	5,017,458	$ 170,998,033	$ 34,081	35.9	4.5%
2003	5,047,862	$ 178,146,661	$ 35,292	36.1	4.9%
2004	5,079,344	$ 188,329,945	$ 37,078	36.3	4.6%
2005	5,106,560	$ 193,989,644	$ 37,988	36.5	4.2%
2006	5,148,346	$ 205,857,404	$ 39,985	36.7	4.1%
2007	5,191,206	$ 216,677,659	$ 41,739	36.9	4.6%
2008	5,230,567	$ 226,158,723	$ 43,238	37.2	5.4%
2009	5,266,214	$ 220,437,583	$ 41,859	37.3	8.0%

Sources: U.S. Census Bureau
Bureau of Economic Analysis, U.S. Department of Commerce
Minnesota Department of Employment and Economic Development

Schedule 11 - Principal Employers
Current Year and Nine Years Ago

	2001			2010		
Employer	Employees	Rank	Percent of Total State Employment	Employees	Rank	Percent of Total State Employment
State of Minnesota	56,320	1	2.09%	53,729	1	2.04%
Mayo Foundation	24,587	5	0.91%	37,000	2	1.40%
United States Government	34,806	2	1.29%	33,000	3	1.25%
Target Corporation	31,731	3	1.18%	29,000	4	1.10%
Allina Health System	22,261	6	0.83%	23,818	5	0.90%
Fairview Health Services	18,495	8	0.69%	21,507	6	0.81%
Wells Fargo and Company	15,259	10	0.57%	20,613	7	0.78%
Wal-Mart Stores Inc.	-	-	-	20,230	8	0.77%
University of Minnesota	30,823	4	1.15%	19,718	9	0.75%
3M Company	18,606	7	0.69%	15,000	10	0.57%
Northwest Airlines Corp.	18,270	9	0.68%	-	-	-
Total	271,158			273,615		
Total State Employment	2,689,351			2,639,716		

Sources: Minneapolis/St. Paul Business Journal Book of Lists published October 26, 2001, and March 6, 2009.
Minnesota Department of Employment and Economic Development

Schedule 12
Full-Time Equivalent State Employees By Function
Last Ten Fiscal Years

	2001	2002	2003	2004
Primary Government:				
Public Safety and Corrections	5,792	5,750	5,807	5,705
Transportation	5,461	5,288	5,223	4,788
Agricultural, Environmental and Energy Resources [1]	4,806	4,645	4,539	4,400
Economic & Workforce Development [1]	2,696	2,654	2,669	4,257
General Education	943	911	880	857
Higher Education	13,714	13,704	14,094	14,006
Health and Human Services	9,155	9,039	9,118	7,415
General Government	5,404	5,498	5,470	5,761
Total	47,971	47,489	47,800	47,189

[1] Beginning in fiscal year 2007, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2005	2006	2007	2008	2009	2010
5,752	6,245	6,198	6,447	6,517	6,553
4,849	4,710	4,435	4,544	4,713	4,969
4,389	4,019	4,322	4,465	4,515	4,467
4,136	3,976	3,486	2,379	2,499	2,661
864	964	935	897	882	880
14,407	14,150	14,437	14,841	15,592	15,766
7,570	7,827	8,042	9,587	8,257	9,167
6,050	6,520	6,559	7,393	8,393	6,868
48,017	48,411	48,414	50,553	51,368	51,331

Schedule 13 - Operating and Capital Asset Indicators By Function
Last Ten Years

	2001	2002	2003	2004
Public Safety and Corrections				
Incarcerated Inmates	6,187	6,583	7,073	7,795
Offenders on Supervision	16,535	15,797	16,753	19,061
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,677,848	2,677,848	2,700,603	2,363,013
Crashes Investigated By State Patrol	24,083	22,827	22,939	18,789
Transportation				
Miles of Highways	N/A	29,024	29,078	29,153
Trunk Highway Bridges	N/A	2,855	2,784	2,831
Acres of Right-of-Way	N/A	247,019	250,243	252,205
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,521,753	1,513,303	1,513,018	1,490,110
Watercraft Licenses Issued/Calendar Year	826,173	834,974	845,379	854,110
Acres of State Land Managed by Forestry/Fiscal Year	3,857,000	3,856,000	3,853,000	3,853,000
Farms/Calendar Year	81,000	80,900	80,000	79,600
Acres of Farmland/Calendar Year (1,000 Acres)	27,800	27,800	27,600	27,400
Agricultural Production-Crops/Calendar Year (In Thousands)	$ 3,186,925	$ 4,351,693	$ 4,391,532	$ 5,147,314
Agricultural Production-Livestock/Calendar Year (In Thousands)	$ 4,300,453	$ 3,615,553	$ 4,089,925	$ 4,974,098
Economic and Workforce Development				
Unemployment Claims Filed	252,655	319,647	323,262	299,630
Workplace Injuries Reported	56,681	50,470	44,983	43,871
General Education				
Kindergarten Through Grade 12 Students (1)	842,764	839,424	835,227	829,832
School Districts	343	343	343	343
Charter Schools	64	67	78	88
Special Education Age 0-21 Childcount	112,833	113,930	115,802	117,666
Higher Education				
Full Year Equivalents	118,861	126,215	132,586	135,819
Number of Students Graduated	24,907	26,680	29,438	32,480
Buildings - Square Footage	23,815,342	24,310,545	24,509,182	25,263,803
Health and Human Services				
Average Monthly Cash Recipients	170,546	179,905	184,848	182,645
Average Monthly Health Care Enrollees	532,722	579,388	636,228	649,032
Health Care Providers	5,050	5,250	5,517	5,491
General Government				
Individual Income Tax Payers/Calendar Year	2,442,043	2,415,039	2,416,197	2,415,563
Corporate Income Tax Returns/Calendar Year	44,220	50,498	37,522	51,803
Sales Tax Permit Holders/Calendar Year	250,000	234,000	226,000	229,000

Note: N/A = Information not available.

(1) Fiscal year 1997-2003 average daily membership is adjusted to current law which requires that each student can be counted as no more than one.

(2) Certificates of Titles prior to FY 2006 were based on the number of transactions. Beginning in FY 2006, Certificates of Titles were based on number of applications.

(3) Estimate.

Source: Applicable State Agencies

	2005	2006	2007	2008	2009	2010
	7,978	8,874	8,900	9,270	9,217	9,619
	18,106	19,977	18,979	20,132	20,974	20,559
	10	10	10	10	10	10
	2,344,311	1,542,648 [2]	1,402,284	1,436,622	1,268,416	1,277,295
	23,429	23,777	20,975	20,198	20,297	20,324
	29,130	29,100	29,200	29,191	29,228	29,228
	2,876	2,907	2,924	2,981	3,021	2,988
	252,433	253,852	254,087	254,074	254,269	254,880
	1,478,219	1,499,482	1,386,087	1,326,087	1,363,841	N/A
	853,999	863,434	866,971	870,736	873,986	N/A
	3,853,000	3,853,000	3,852,000	3,847,000	3,922,744	3,915,225
	79,600	79,300	81,000	81,000	81,000	N/A
	27,200	27,000	26,900	26,900	26,900	N/A
	$ 4,866,387	$ 5,183,498	$ 6,848,553	$ 10,259,164	$ 8,714,657	N/A
	$ 4,970,842	$ 4,864,539	$5,849,694	$ 6,095,540	$ 4,914,117	N/A
	285,669	276,381	228,664	189,419	332,320	275,048 [3]
	42,002	39,919	39,827	38,178	35,416	32,828
	825,843	826,543	827,197	823,755	821,021	821,823 [3]
	343	343	340	340	340	337
	106	125	131	143	153	154
	118,501	119,720	121,511	123,269	124,592	126,108
	135,494	134,220	135,839	139,885	143,924	154,249 [3]
	32,638	33,860	33,796	33,328	35,026	35,026
	25,559,289	25,725,125	26,007,169	26,065,364	26,672,956	26,792,759
	171,738	164,632	159,390	158,556	164,293	174,372
	663,529	667,182	661,265	667,086	707,006	776,430
	5,726	6,276	6,710	7,120	8,368	7,971
	2,501,144	2,563,373	2,602,439	2,715,679	2,687,864	2,695,214
	39,334	43,304	38,339	40,900	33,822	32,115
	219,000	197,000	256,000	277,000	277,000	284,000

Note: Of the $13.8 billion in capital assets owned by the state, $9.3 billion (67.4 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $4.5 billion in capital assets is allocated to other functions.

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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

Report on Internal Control Over Statewide Financial Reporting

Year Ended June 30, 2010

February 18, 2011 **Report 11-02**

FINANCIAL AUDIT DIVISION
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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Representative Michael Beard, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. James Schowalter, Commissioner
Department of Management and Budget

In auditing the State of Minnesota's basic financial statements for the year ended June 30, 2010, we considered the state's internal controls over financial reporting and tested the state's compliance with significant legal provisions impacting the basic financial statements. This report contains our findings and recommendations on internal control over the state's financial reporting process taken as a whole. However, given the limited nature of our audit work, we do not express an overall opinion on the effectiveness of the State of Minnesota's internal controls or compliance. In addition, our work may not have identified all significant control deficiencies or instances of noncompliance with legal requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We consider all five of the deficiencies included in the report, which relate to the preparation of the basic financial statements, to be material weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Individual agency responses to our findings and recommendations are presented in the accompanying section of this report titled, *Agencies Responses.* We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the State of Minnesota's management, the Legislative Audit Commission, and federal grantor agencies; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on February 18, 2011.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

End of Fieldwork: December 20, 2010
Report Signed On: February 14, 2011

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Report Summary

Conclusion

The State of Minnesota's financial statements were fairly stated in all material respects. However, the state continued to have weaknesses in internal control over financial reporting, as noted below.

Our audit report contains five findings related to controls over the preparation of the state's financial statements. Each finding includes concerns from our previous audit that have not been fully resolved.[1]

Findings

- Prior Finding Partially Resolved: Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements. (Finding 1, page 3)
- Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls. (Includes prior audit findings not resolved for three agencies.) (Finding 2, page 6)
- Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements. (Includes prior audit finding not resolved for one agency.) (Finding 3, page 9)
- Prior Finding Partially Resolved: The Department of Management and Budget did not always prepare accurate footnote disclosures to the financial statements. (Includes prior audit finding not resolved for one agency.) (Finding 4, page 13)
- Prior Finding Partially Resolved: The Department of Human Services did not reconcile child care assistance subsystem data to the state's accounting system and did not reconcile the healthcare accounts payable reports to the Medicaid Management Information System data warehouse. (Finding 5, page 14)

Audit Scope

We audited the state's financial statements for the fiscal year ended June 30, 2010. Our audit encompassed work at many large state agencies that managed financial activities that were significant to the financial statements.

Background

The Department of Management and Budget is responsible for preparing the state's annual financial statements, which are included in the *State of Minnesota's Comprehensive Annual Financial Report*. To prepare the statements, the department uses information from a variety of sources, including information provided by other agencies. The issues contained in this report relate to weaknesses in internal controls in the state's financial reporting process as a whole.

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[1] Office of the Legislative Auditor's Financial Audit Division Report 10-01, *Report on Internal Control Over Statewide Financial Reporting*, issued February 11, 2010.

Financial Statement Findings and Recommendations

Finding 1

Prior Finding Partially Resolved: Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements.

Several agencies did not have a comprehensive internal control structure for their financial reporting processes to ensure that they would prevent or detect and correct a material misstatement of the state's financial statements on a timely basis. A comprehensive internal control structure is essential to accurate financial reporting and safeguarding of state resources because the state prepares its financial statements in an environment that has a high risk of error. The financial reporting environment is high risk because of several factors, including, 1) the state's primary accounting system cannot generate accurate financial statements without significant manual calculations and adjusting entries,[2] and 2) the Department of Management and Budget relies on personnel in other state agencies to accurately account for many unique financial transactions according to a complex set of governmental accounting principles. Because the Department of Management and Budget has ultimate, statutory responsibility to prepare the state's annual financial reports, it must rely on the internal control structures of other agencies to provide complete and accurate financial information for inclusion in the state's financial reports. The state's policy on internal control requires each agency head to develop and maintain an effective internal control structure.[3]

During fiscal year 2010, some agencies made sufficient progress in the development of their comprehensive internal control structures to substantially resolve their prior audit findings, as follows:

- The departments of Management and Budget, Employment and Economic Development, and Human Services fully assessed and documented their financial reporting risks.

- Throughout the year, the Department of Management and Budget worked with agencies on financial reporting issues and also conducted training on governmental accounting and internal controls.

[2] On July 1, 2011, the state will implement a new accounting system (SWIFT) that may provide data that is more easily adaptable to the needs of financial reporting.
[3] Department of Management and Budget Policy 0102-01.

- The Department of Management and Budget performed and documented detailed assessments of procedures and risks related to reporting accounts receivable and accounts payable and for implementing the fund balance reporting requirements of a new accounting pronouncement.[4]

Despite this progress, these departments had weaknesses in the monitoring and review processes that allowed some significant errors to occur and not be detected, as further reported in Findings 2 and 3.

No internal control structure can completely eliminate the risk of errors; the occurrence of errors is not necessarily an indication that the overall internal control structure is deficient. As these agencies shift from the design and development of their internal control structures to the monitoring and maintenance of those structures, a key to their ongoing effectiveness will be how well the agencies monitor, modify, and update controls when the controls do not work as expected to prevent or detect errors or in response to changes in policy, personnel, and regulations.

The departments of Education, Revenue, and Transportation, the State Board of Investment, and the Minnesota State Retirement System had not made sufficient progress in their implementation of a comprehensive internal control structure for the fiscal year 2010 financial reporting period. They did not meet the target implementation dates they established when the Office of the Legislative Auditor first reported these internal control structure deficiencies in 2009.[5] The agencies had the following deficiencies:

- The Department of Education began to develop its comprehensive internal control structure by performing a review of its control environment, establishing internal control standards, creating an internal control evaluation tool, and establishing an internal control evaluation questionnaire. However, the department had not fully assessed and documented its financial reporting risks.

- The Department of Revenue made only limited progress toward developing its comprehensive internal control structure; it had not fully assessed and documented its financial reporting risks.

- The Department of Transportation began to develop its comprehensive internal control structure by establishing an executive steering committee and several teams to assess the control environment and internal controls.

[4] Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
[5] Office of the Legislative Auditor, Financial Audit Division, Report 09-03, *Report on Internal Control Over Statewide Financial Reporting for the Year Ended June 30, 2008*, issued February 13, 2009.

However, the department had not fully assessed and documented its financial reporting risks.

- The State Board of Investment made only limited progress toward developing its comprehensive internal control structure and had not fully assessed and documented its financial reporting risks.

- The Minnesota State Retirement System began to develop its comprehensive internal control structure by drafting an outline of risks, but had not fully assessed and documented its financial reporting risks. In addition, the system deferred its target date for the development of its comprehensive internal control structure until after June 30, 2011, when it plans to hire an individual whose responsibilities will include that task.

A comprehensive internal control structure has the following key elements:

- Personnel are trained and knowledgeable about financial reporting goals and applicable policies and procedures.
- Management identifies risks associated with financial reporting and develops policies and procedures to effectively address the identified risks.[6]
- Management continuously monitors the effectiveness of the controls, identifies weaknesses and breakdowns in controls, and takes corrective action.
- Management focuses on continual improvement to ensure an acceptable balance between controls and costs.

Findings 2 through 5 identify specific deficiencies in agencies' internal control procedures that created an unacceptable risk of error. It is likely that the state will continue to have weaknesses in its financial reporting process until it operates within a comprehensive internal control structure.

Recommendations

- *The Department of Management and Budget should continue to provide training and oversight to state agencies related to the state's overall financial reporting process and work with those state agencies cited as they continue to develop comprehensive internal control structures for their financial reporting processes and responsibilities.*

[6] For the state's financial reporting process, "management" includes the Department of Management and Budget and other departments that provide financial information critical to the state's ability to prepare its annual financial reports.

- *The departments of Education, Revenue, and Transportation, the State Board of Investment and the Minnesota State Retirement System should assess risks and develop a comprehensive internal control structure for their financial reporting processes and responsibilities.*

Finding 2

Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls.

The departments of Revenue, Education, Human Services, the Minnesota State Retirement System and Management and Budget authorized employees to have inappropriate access to the state's accounting system or agency subsystems. Inappropriate system access is either access to incompatible business functions or access that is not necessary for the employee's specific job duties. Allowing employees to have inappropriate access to business systems or to perform incompatible functions increased the risk that errors or fraud could occur without detection and compromised the integrity of financial transactions underlying the financial statements.

The state's internal control policy requires separation of incompatible duties so no one employee has control over an entire transaction or process that could result in errors or fraudulent transactions going undetected.[7] If agencies are unable to adequately separate incompatible duties, state policies require them to develop and document their controls designed to mitigate the risk that error or fraud will not be detected.[8] These controls typically include some analysis and supervisory review of transactions processed by the employees with inappropriate access. Agency management should document these mitigating controls and monitor that these controls are performed as designed and are effective in reducing the risks.

The agencies had the following system security access weaknesses:

- The Department of Revenue did not design sufficient controls to either prevent or detect $1.9 million of unauthorized tax refunds. Poor system security and other internal control weaknesses allowed one agency employee to initiate 256 inappropriate refunds from January 2005 through September 2010. The department did not sufficiently restrict the employee's computer system access to her job duties or monitor and review the refunds she processed.

- The Department of Revenue gave ten employees incompatible access to the cigarette tax system and the storage room where it stores the cigarette stamps. The department collects cigarette tax from cigarette distributors by selling

[7] Department of Management and Budget Policy 0102-01.
[8] Department of Management and Budget Policy 1101-07 and HR 045.

them cigarette stamps that they affix to each pack of cigarettes. The incompatible access allowed the ten employees to sell the stamps, enter the stamps into the system, fill orders, and conduct stamp inventory. The department typically maintained an inventory of 52 million to 127 million stamps in the storage room, valued from about $82 million to $199 million. By allowing these individuals unlimited access to the stamps and related records, the department has not reduced the risk of fraud or error to an acceptable level.

- Prior Finding Not Resolved: The Department of Education lacked a formal process to grant employees access to its internal business systems or to periodically recertify that ongoing access was appropriate. The department did not have authorized request forms on file for any of the twenty-three employees we tested. Rather, the department granted access to its various business systems through an informal request process, which did not always include specific accesses needed. Without a formal process, the department cannot ensure that employees have only the required access needed to perform their job duties.

- Prior Finding Not Resolved: Five of the twenty-three Department of Education employees in the sample that we tested during the fiscal year 2010 audit had incompatible access to the department's business systems and data. (We had identified four of these five employees as having incompatible access during our fiscal year 2009 audit.) These employees had the ability to add a vendor, establish source data, and create and/or manipulate financial information. The department did not have formalized mitigating controls to monitor the accuracy or appropriateness of these changes, which increased the risk of undetected employee errors or fraud.

- Prior Finding Not Resolved: As of June 30, 2010, the Department of Human Services had fourteen employees who had incompatible security access to the state's accounting system. The incompatible profiles allowed one employee to create purchase orders and pay invoices, three employees to create purchase orders and receive goods, and ten employees to receive goods and pay invoices through the state's accounting system. If the department believed this incompatible access was necessary to the employees' job assignments, it should have designed and documented controls to mitigate the risk of fraud or error. The department modified the access of those employees we cited in the prior audit report, but did not implement controls to prevent new incompatibilities from occurring.

- Prior Finding Not Resolved: The Minnesota State Retirement System did not have adequate documentation, including the identification of incompatible security access profiles, to help managers make informed decisions about the level of security access to grant their staff. During fiscal year 2010, the retirement system had drafted security access profiles but, as of December

2010, it had not finalized the document or required managers to use it to determine employees' system security access.

- Prior Finding Not Resolved: The Minnesota State Retirement System lacked a formal process to periodically review and recertify computer users' access. In fiscal year 2010, the agency did not review any users' access for incompatibilities. Fifty-nine Minnesota State Retirement System employees had incompatible access to the department's business system. Those employees had the ability to change an annuitant's name, address, and bank routing information. Eight of those fifty-nine employees had access to process refunds, of which two had physical access to refund checks, increasing the risk of fraud. Seven of those fifty-nine employees had access to process death records, change bank or annuitant information, and five of those seven employees also had access to update beneficiary information. Two of those fifty-nine employees had access to control the entire annuity process that includes entry, preparation, computation, approval, manager, and reviewer. No mitigating controls existed to prevent or detect inappropriate changes.

The following two bullets relate to previously issued reports for the Department of Human Services and the Department of Management and Budget that contained findings that addressed weaknesses in security access over state business systems that also impacted the state's internal controls over financial reporting:

- In November 2010, we issued a report on the results of our review of the Department of Human Services' information technology controls over its payments to medical providers.[9] The report included findings related to security access and incompatible job duties. We believe these findings are material weaknesses in the state's internal controls over financial reporting because they existed in systems that processed financial transactions that are material to the state's general and federal funds. We restate these findings and the department's responses in Appendix A to this report.

- In July 2010, we issued a report on the results of our review of the Department of Management and Budget's internal controls over its banking and vendor arrangements.[10] This was an internal control and compliance audit of disbursements from the state treasury. It specifically addressed the department's controls over the electronic payments made through the state's accounting and payroll systems and the vendor files maintained in the accounting system. The report included findings related to security access to systems and not-public information and related to the management of the state's vendor files. We believe these findings are significant weaknesses in

[9] Office of the Legislative Auditor, Financial Audit Division, Report 10-34, *Department of Human Services: Healthcare Provider Payment Controls*, issued November 4, 2010.

[10] Office of the Legislative Auditor, Financial Audit Division, Report 10-24, *Department of Management of Budget: Banking and Vendor Controls*, issued July 1, 2010.

the state's internal controls over financial reporting because they existed in state's accounting and payroll systems that processed financial transactions that are material to the state's financial statements. We restate these findings and the department's responses in Appendix B to this report.

Recommendation

- *The agencies cited should ensure that they eliminate unnecessary or incompatible access to state business systems and incompatible duties in state business processes. If agency management determines that it is not possible to eliminate the incompatibilities, it should design, document, and implement mitigating controls and monitor the controls' performance and effectiveness in reducing the risk of error or fraud.*

Finding 3

Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

The Department of Management and Budget and the departments of Human Services, Employment and Economic Development, Education, Revenue, and Transportation did not have adequate controls, or the controls were not effective, to prevent and detect errors as they compiled the state's financial statements. We proposed, and the Department of Management and Budget made, adjustments to correct the financial statements and disclosures related to the significant portions of the following errors:

- The Department of Management and Budget did not accurately incorporate audited financial information from a component unit into the state's financial statements. The department did not properly eliminate about $27.7 million from both program revenues and total expenses for activity between the University of Minnesota and the university's component units or affiliated organizations. The university identified the activity as internal between university organizations, but did not properly eliminate it from a summary worksheet provided to the department; the department's review of the university worksheet was not sufficient to identify and correct the error. Financial activity occurring between internal departments of an entity should be eliminated from the financial statements so as to not overstate revenues and expenses.

- The Department of Management and Budget improperly included the operating activity of the Minneapolis Employees Retirement Fund in the preliminary financial statements of both the state's investment trust funds and its pension trust funds. The department did not identify this error. (Until recently, the State Board of Investment had invested the local retirement fund's assets, and the state had reported that activity in its investment trust funds. However, as of June 30, 2010, *Minnesota Statutes*[11] consolidated the local retirement fund into a pension trust fund administered by the Public Employees Retirement System.) In addition, the numbers provided in the preliminary investment trust financial statements - contributions of $267 million, investment income of $126 million, refunds of $399 million – materially misstated the actual operating activity of the fund.

- The Department of Human Services understated accounts payable and expenditures it reported to the Department of Management and Budget by $441.3 million. Due to formula errors in the department's healthcare accounts payable memo, the department's total of the federal fund payable did not include $401.4 million. (The Department of Management and Budget did not detect this error in its review of federal fund accounts payable.) In addition, the department did not accrue the fiscal year 2010 share of the healthcare expenditures for services that started in fiscal year 2010 but ended in fiscal year 2011. As a result, the department understated the federal and general funds payables by $20.3 and $9.4 million, respectively. Lastly, the department understated general fund payables to counties by $10.2 million. The department incorrectly reported half of the total grant amount for calendar year grants to counties rather than the actual amounts it paid to the counties for the fiscal year.

- The Department of Human Services understated accounts receivables and overstated healthcare expenditures by $10.2 million in the general fund, and understated revenues and overstated expenditures by $16.4 million in the federal fund. The department did not recognize the total amount of rebates receivable from drug companies; these rebates offset drug costs included in the healthcare expenditures. Because the drug rebate data from the Center of Medicaid and Medicare Services erroneously had $0 as unit costs for all drugs, the department reported $0 in drug rebate billings in its quarterly accounts receivable memo. Although the department was able to estimate the total of the quarterly billings, it failed to notify the Department of Management and Budget of the omission.

- The Department of Human Services overstated federal fund accounts receivable and grants payable by $7.6 million. The department incorrectly reported to the Department of Management and Budget that it had advanced $7.6 million in federal funds to counties prior to the end of the fiscal year. However, the department did not make the payments to the counties until August 2010. As a result, the Department of Management and Budget incorrectly recorded both a receivable and a payable for the August payment.

[11] *Minnesota Statutes* 2010, 353.50, subd. 5.

- The Department of Employment and Economic Development did not accurately calculate and report accounts receivable for the Unemployment Insurance Fund to the Department of Management and Budget. The department overstated receivables from other states by $2.0 million in its preliminary Unemployment Insurance Fund financial statements; it incorrectly included as receivables amounts it had received in fiscal year 2010. In addition, the department failed to accrue as receivables $2.9 million of fiscal year 2010 unemployment benefits the department paid on behalf of certain employers who reimburse the department for actual benefits paid, rather than paying a quarterly tax amount.

- The Department of Employment and Economic Development did not classify its liability to the federal government as long-term in its preliminary Unemployment Insurance Fund financial statements. As a result, the department did not prepare the additional note disclosures required for long-term liabilities. As of June 30, 2010, the department's loans from the U.S. Treasury to fund unemployment benefit payments totaled $599 million. The department reported this loan as a current liability on the financial statements, implying that it expected to repay the debt within the next fiscal year. The department will not have resources to repay the loan until taxes collected from employers exceeds benefits paid to unemployed workers. The department's Unemployment Insurance Fund projections showed this was unlikely to occur in fiscal year 2011.

- The Department of Education did not have adequate controls to identify and report certain accounts receivable amounts to the Department of Management and Budget for inclusion in the state's financial statements. School districts sometimes owed state funding back to the department, because their actual expenditures for a school year were less than originally expected, and the department recovered these amounts by reducing future aid disbursements to the schools. However, the department did not report $1.3 million of unrecovered overpayments of education grants in the general fund to the Department of Management and Budget as of June 30, 2010. A similar error of $.7 million occurred in the federal fund, but we did not propose a formal adjustment for this immaterial amount.

- The Department of Education did not include all amounts in a data analysis it performed as part of its calculation of the general and federal funds accounts payable amounts. The omitted amounts resulted in a $1.2 million overstatement of accounts payable. Also, the department did not perform a secondary review of the general and federal funds grants payable calculation, which could have identified and corrected these errors. We did not formally propose adjustments for these immaterial amounts.

- Prior Finding Not Resolved: The Department of Revenue did not accurately report accounts payable and receivable amounts to the Department of

Management and Budget for inclusion in the state's financial statements. The amounts reported by the department understated accounts payable by about $1.1 million and accounts receivable by about $5.2 million. Also, the amounts reported by the department misclassified about $36.3 million of accounts receivable as current instead of noncurrent assets. Finally, the department did not reconcile and verify that it accurately recorded various property tax remittances from counties on its internal tracking system, and we identified several errors in that system.

- The Department of Transportation has made significant progress in providing more accurate information for financial reporting; however, the department still had a couple of financial reporting errors for the fiscal year 2010 financial reporting period:

  - Prior Finding Partially Resolved: The Department of Transportation reported incorrect infrastructure and right of way capital asset balances to the Department of Management and Budget for inclusion in the state's financial statements. The department erroneously reduced infrastructure for $1.2 million of receipts related to right of way, which understated infrastructure and overstated right of way. This adjustment did not impact net assets. The department made other immaterial errors in the reporting of infrastructure by inappropriately reducing capital asset balances for expense transactions, reporting expense transactions as capital assets, and omitting accounts payable transactions. The department made similar errors in prior years. In addition, the department's control process did not include a secondary verification of the capital asset amounts submitted to the Department of Management and Budget; a secondary verification may have detected some of the errors.

  - The Department of Transportation made an erroneous $4.8 million payment to a vendor. The department's internal controls failed to prevent or timely detect this error. The department learned of the overpayment when the vendor notified the department. The vendor repaid the overpayment. Without adequate internal controls to prevent or detect and correct overpayments, the state's financial statements may include inaccurate amounts.

The Department of Management and Budget relies on agencies to provide accurate and complete information. The Department of Management and Budget and other agencies' internal reviews of the financial data were not effective to detect the errors noted above. Examples of effective internal review processes include analytical procedures to determine excessive variances between fiscal years, recalculations, and a final supervisory verification of financial data.

Although many of the errors this year were not significant enough to materially misstate the financial statements, the errors indicate that the agencies' processes and procedures for determining financial statement amounts may allow more significant errors to occur without detection.

Recommendations

- *The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements.*

- *The Department of Transportation should ensure that it designs effective invoice approval and payment controls to prevent or detect and correct inaccurate payments on a timely basis.*

Finding 4

Prior Finding Partially Resolved: The Department of Management and Budget did not always prepare accurate footnote disclosures to the financial statements.

Footnote disclosures are an integral part of the financial statements. The department improved its accuracy of reporting footnote disclosures this year. As shown below, however, two of the twenty draft footnote disclosures prepared and reviewed by the Department of Management and Budget contained material errors which required adjustments.

- *Note 2 – Cash, Investments, and Derivative Instruments*: The department overstated the fair value of TBA derivatives by $952 million.[12] Based on information provided by the state's master custodian and discussions its personnel had with representatives of the Governmental Accounting Standards Board, the fair value of TBA derivatives should be net of the related brokerage liability. The error occurred for a variety of reasons, including the state's implementation of a new accounting principle pertaining to derivatives,[13] and the complexity of derivative transactions. Despite some coordinated effort among the department, the State Board of Investment, and the master custodian the draft derivatives disclosure contained a material error.

- Prior Finding Not Resolved, *Note 11 - Operating Lease Agreements*: The department overstated the Minnesota State Colleges and Universities' operating lease agreements by $38.5 million. The colleges and universities did not communicate a late adjustment to the operating lease agreements disclosed in its audited financial statements, thus the draft Note 11

[12] TBA derivatives relate to mortgage-backed securities trades. The term TBA, which stands for "to be announced," is used because the actual mortgage-backed security that will be delivered to fulfill a TBA trade is not designated at the time the trade is made.
[13] Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

disclosure did not agree with the colleges and universities' final financial statements.

The department's review processes did not detect these errors. The financial statements may be misleading if footnote disclosures are inaccurate, inconsistent with financial statement amounts, or missing required information.

Recommendation

- *The Department of Management and Budget should ensure the accuracy of footnote disclosures to the financial statements.*

Finding 5

Prior Finding Partially Resolved: The Department of Human Services did not reconcile child care assistance subsystem data to the state's accounting system and did not reconcile the healthcare accounts payable reports to the Medicaid Management Information System data warehouse.

The Department of Human Services did not consistently reconcile its child care assistance subsystem to the state's accounting system to ensure accurate financial information, as required by state policy.[14] Because the state's accounting system is the primary source of financial information for the state's financial statements, it is essential that the state's accounting system agrees with the underlying detail of financial transactions initiated and recorded in the department's subsystems. In fiscal year 2009, the department did not reconcile any months and, in fiscal year 2010, it sporadically reconciled five out of twelve months.[15] The department used the subsystem to provide approximately $195 million of child care assistance aid in fiscal year 2010.

In addition, the department did not reconcile the August 2010 healthcare accounts payable reports to its Medicaid Management Information System warehouse payment data. The department used these reports to accrue about $87 million of the August 2010 healthcare payments as fiscal year 2010 accounts payable. The department modified one of its three reports for August 2010 because that month had three payment cycles rather than two, as in prior years. Although the modification allowed the department to determine an accounts payable amount consistent with its process for prior years, it complicated the reconciliation to the warehouse data. However, the lack of reconciliation to the warehouse payment data increased the risk that a material misstatement could occur without detection.[16]

[14] Department of Management and Budget Policy Number 0102-01.
[15] The Department of Human Services performed the reconciliation in October 2009, November 2009, January 2010, February 2010, and March 2010.
[16] Our audit procedures determined that the reported amount reconciled to the Medicaid Management Information System warehouse payment data.

Recommendation

- *The Department of Human Services should establish sufficient controls to ensure that staff complete timely reconciliations between the child care assistance subsystem data and the state's accounting system and reconciles the healthcare payable reports to its Medicaid Management Information System data warehouse.*

Appendix A

In Finding 2 on page 6, we identify weaknesses in security access controls over state business systems. As part of that finding, we refer to our audit of the Department of Human Services information technology controls over its payments to medical providers.[17] The report, issued in November 2010, included ten findings related to weaknesses in the department's internal controls or non compliance with federal or state legal requirements. Two of those findings, Finding 2 and Finding 5, were material weaknesses in the state's internal controls over financial reporting for fiscal year 2010 because the weaknesses existed in systems that processed financial transactions material to the state's general and federal funds. In this appendix, we present the findings and the department's response to the findings, as originally reported.

Finding 2 - The Department of Human Services did not adequately separate incompatible duties in its process for enrolling service providers.

The department did not adequately separate incompatible duties for 20 employees responsible for enrolling providers. Separation of incompatible duties is a fundamental internal control designed to ensure that no one employee or group of employees can perpetrate and conceal errors or fraud in the normal course of their duties. These employees could set up providers in the Medical Assistance system (MMIS), the state's accounting system, and the department's electronic claims submission interface. In addition, the same employees verified licensing information upon initial application. As a result, any one of these employees could set up an invalid provider and make fraudulent payments to that provider without detection. This weakness created an unacceptable risk of fraud.

Recommendation

- *The department should separate incompatible provider enrollment duties.*

<u>Department of Human Services' Response to Finding 2</u>

The department agrees with the recommendation. PE [Provider Enrollment] is currently organized so that each specialist develops an expertise with specific provider types. There are over 70 provider types. There are eighteen enrollment specialists. Nine of them are dedicated to enrolling the 50,000-plus Individual Personal Care Attendants (PCAs) who work for the 800-plus personal care agencies in Minnesota. The other nine specialists have mastered the variety of enrollment requirements attributable to the remaining 70,000-plus providers.

[17] Office of the Legislative Auditor, Financial Audit Division, Report 10-34, *Department of Human Services: Healthcare Provider Payment Controls*, issued November 4, 2010

While license verification is an important part of the enrollment process, there are a number of other elements, from the date of birth of an individual PCA to the names, addresses and Social Security Numbers of the owners and managers of a durable medical equipment provider, also required for enrollment. These elements vary from provider type to provider type. Some provider types' requirements, like Personal Care Provider Organizations (PCPOs), are more complex than others.

PE will meet the challenge presented by this finding by reorganizing the existing staff into two levels. The first level of staff will do the initial processing of documents submitted by new and currently enrolled providers, performing data entry and basic triage, and following up with providers who have missing or incorrect documents. The second level of staff will perform the necessary verification of requirements and activate, terminate or deny the provider's enrollment status. PE will work with Human Resources to determine if this change in structure will require changes to the job descriptions and job class.

Person Responsible: Adrian Alexander, Healthcare Operations Director
Estimated Completion Date: September 30, 2011

Finding 5 - Prior Finding Partially Resolved:[18] The Department of Human Services did not have sufficient controls to limit, monitor, or prevent incompatible or unnecessary access to the Medical Assistance system and the cash and food benefits system.

The department did not sufficiently limit access to the Medical Assistance system (MMIS) and the cash and food benefits system (MAXIS). The National Institute of Standards and Technology's access control standards include documenting the roles, responsibilities, and purpose of access controls, including identifying incompatible duties within and between roles.[19] Additionally, the department did not sufficiently monitor and manage system access to ensure it limited access to employees' job duties. The department had weaknesses in the following areas:

- The department had 25 employees with unnecessary access to create or modify data in the cash and food benefits system's warrant payment file. This file contained the data required for the department to print warrants for certain federal aid recipients.[20]

[18] Office of the Legislative Auditor, Financial Audit Division, Report 07-14, *Department of Human Services: Medicaid Management Information Systems Security Controls*, issued June 7, 2007, Finding 1.
[19] National Institute of Standards and Technology publication 800-53, AC-1, AC-5, AC-6.
[20] Although the department provided most federal food stamp and cash assistance benefits to recipients electronically through the cash and food benefits system, the department also provided some benefits by printing and mailing paper checks.

- The department had 13 staff with incompatible access to the Medical Assistance system. These employees could create or modify provider information, recipients, and claims for reimbursement. This combination would allow the employees to process fictitious transactions through the Medical Assistance system. The department had not detected this incompatible access because it did not have complete and accurate documentation for two of the Medical Assistance system's security groups. One security group had no documentation, and another had inaccurate information. Documentation of security groups is essential to ensure that the department limits employee access to the needs of assigned job duties and to prevent incompatible system access.

By not adequately limiting access to the systems, the department significantly increased its risk of fraud.

Recommendations

- *The department should eliminate unnecessary employee access to the cash and food benefits system's warrant payment file.*
- *The department should eliminate incompatible access to systems when possible or design effective mitigating controls.*
- *The department should ensure its security documentation is complete and accurate.*

<u>Department of Human Services' Response to Finding 5</u>

The department agrees with [the first bullet of] this recommendation. Access for the 25 employees to the warrant payment file was removed July 2010.

Person Responsible: Kate Wulf, TSS Director
Estimated Completion Date: Completed

The department agrees with [the second bullet of] this recommendation. For those staff whose job responsibilities require access which is potentially incompatible, e.g., the ability to pay claims and enroll providers, reports need to be designed, created and reviewed to audit their activities.

Person Responsible: Adrian Alexander, Healthcare Operations Director
Estimated Completion Date: December 31, 2010

The department agrees with [the third bullet of] this recommendation. The Health Care Operations security group documentation is complete and accurate.

Person Responsible: Adrian Alexander, Healthcare Operations Director
Estimated Completion Date: Completed

Appendix B

In Finding 2 on page 6, we identify weaknesses in security access controls over state business systems. As part of that finding, we refer to our audit of the Department of Management and Budgets' information technology controls over its banking and vendor relationships.[21] The report, issued in July 2010, included five findings related to weaknesses in the department's internal controls or non compliance with state policy. Three of those findings (findings 2, 3, and 4) were material weaknesses in the state's internal controls over financial reporting for fiscal year 2010 because the weaknesses existed in systems that processed financial transactions material to the state's general and federal funds. In this appendix, we present the findings and the department's response to the findings, as originally reported.

Finding 2 - Department of Management and Budget did not adequately manage vendor files within the state's accounting system.

The department did not verify the legitimacy of new vendors added to the state's accounting system or changes made to current vendor information, including addresses, phone numbers, and contact names. In addition, the department did not guard against keying errors when entering vendor bank routing and account numbers and did not promptly purge obsolete vendors.

While the department performed some limited procedures, it generally authorized state agencies' requests to establish new vendors or make changes to vendor information without validating important vendor data, such as its tax identification number, address, contact person, or phone number. Department staff asserted that they did not have sufficient resources to validate the hundreds of vendor changes requested each day. However, the department had not fully assessed how it could automate, monitor, or verify, on a sample basis, the validity of this important data. We discussed several additional tests and validation processes the department could consider to enhance its review of vendor information.

The lack of verification of vendor data and data changes increases the risk that the state could process a payment to the wrong vendor or a fictitious vendor. Through the course of our audit, we identified nine questionable vendors receiving state payments, which we referred to the department for further investigation. The department provided plausible explanations for six of these vendors, and as of June 2010, continued to research and investigate the remaining three vendors. Vendor payments to those three accounts from July 1, 2007, through March 23, 2010, totaled $188,058.

[21] Office of the Legislative Auditor, Financial Audit Division, Report 10-24, *Department of Management and Budget: Banking and Vendor Controls*, issued July 1, 2010

Although the department required vendors to submit written EFT request forms when establishing payments via EFT or making changes to certain information, it did not require vendors to document their authorizations for all changes. In addition to changes submitted by state agencies, vendors also contacted the department directly to request changes to their vendor data. The department did not have adequate controls to ensure that all changes were authorized and validated. Changes in vendor information present risks for the state in making accurate and valid payments.

In addition, the department did not have controls to prevent or detect keying errors when entering vendor's banking information into the state's accounting system. The department relied on the bank's validation of the account as its primary control to identify inaccurately input accounts. For example, the department had incorrectly input one of the 29 EFT request forms we tested, but the bank rejected the change because the bank account number was not valid. However, in September 2009, the department incorrectly input another bank account number that was not the vendor's account but was a valid account at the bank; the state subsequently processed payments totaling nearly $30,000 to the wrong account. The error was not discovered until the intended vendor notified the department that it had not received payment.

Finally, the department did not purge obsolete vendors in accordance with its internal procedures.[22] Those procedures require the department to purge vendors that do not have any activity within two years or are designated as one-time-payment vendors, more than 30 days old. As of April 2010, the state's accounting system had over 133,000 active vendors (17 percent of total vendors) that met the criteria to be purged. The department explained that it had not purged vendors because, after the collapse of I-35W bridge in August 2007, the Attorney General's Office had prohibited the department from deleting, overwriting, or otherwise destroying or altering electronic information "relating to the I-35W bridge or any other bridge." We think the department's decision to suspend its automatic purging of inactive vendors was too broad of an interpretation of this directive. Purging inactive vendors is an effective internal control to reduce the risk of inappropriate or fraudulent transactions.

By not maintaining accurate vendor files, the department increased the risk that a state employee with incompatible access to the state's accounting system could process fraudulent payments without detection. As of March 2010, more than 200 employees had incompatible access to the state's accounting system.[23]

[22] Department of Management and Budget internal procedure "Vendor Purge."
[23] Employees could request vendor information, encumber funds, and make disbursements.

Recommendation

- *The department should develop control and monitoring procedures to ensure that vendor information and subsequent changes to that information are valid, accurate, authorized, and current.*

Department of Management and Budget's Response to Finding 2

With the size and complexity of the state's operations, and with approximately 150 new vendors added daily to the accounting system, we have historically relied on agency requests for vendor additions. For changes to existing vendors, we have already strengthened our controls for certain high risk changes. Further controls will be implemented with the new accounting system (SWIFT). When SWIFT is implemented July 2011, vendor information will be entered through a secure self service portal. On-line completion of W-9 information will be required before approval for most vendors. A weekly process has been implemented to verify banking account and routing number changes. A similar duplicate entry system has been designed for the new accounting system. When we have completed research on the remaining vendors identified, we will evaluate the risk and design ongoing controls.

Our regularly scheduled process to purge obsolete vendors was interrupted due to a litigation hold related to the I-35W bridge collapse in August 2007. The instructions for data retention received from the Attorney General's Office were comprehensive; we believe delaying the purge process was the proper response. MMB has recently obtained approval from the Attorney General's Office to purge old data after a backup file has been made and plans to do so are underway.

Person Responsible: Deloris Staffanson, Agency Support Director
Estimated Completion Date: July 2011

Finding 3 - The Department of Management and Budget did not sufficiently restrict access to some data files containing not public vendor information.

The department did not have adequate controls to limit access to data files containing not public vendor and banking information. The department had not monitored or reviewed who had access to these sensitive files. Nearly 200 people and administrative software program accounts from the departments of Management and Budget, Transportation, and Office of Enterprise Technology had unnecessary access to read data files containing not public bank account information used for ACH and warrant payments. In addition, 70 Office of Enterprise Technology staff and administrative software program accounts had unnecessary access to modify these files. While the sensitive ACH files from the state's accounting system were temporarily stored on the Department of Management and Budget's computers and internal network, 13 people had unnecessary modify access.

The ability to read and modify sensitive files used in banking and other processes should be limited to only those people and administrative software program accounts needing that access.[24] By allowing excessive access, the department increased the risk that someone could inappropriately see, use, sell, or change the not public information.

Finally, the department had not assessed its need to monitor unauthorized access to files containing not public data. It had not customized its computers to log key security events. Monitoring is important in detecting and promptly responding to security events to ensure unauthorized individuals have not read or modified the files or data.[25]

Recommendations

- *The department should further restrict employee access to files containing not public data and periodically review the access to ensure it is still needed.*

- *The department should develop a monitoring process to assess unauthorized access to files containing not public data.*

Department of Management and Budget's Response to Finding 3

These recommendations have been and continue to be in place for our agency users. Your recommendations are to apply similar processes for internal, central support staff. We agree this should be done. We have begun to implement internal annual re-certification for MMB staff. We will continue to work with OET to reduce the number of OET individuals required to have clearance to our systems and data to only those determined to be essential to the process. We will certify at least annually the access of our support staff and will place risk mitigation controls around the more sensitive files, including monitoring actions, as recommended. We have already begun to institute a process for the first recommendation above and the other recommendations will follow soon.

Persons Responsible: Deloris Staffanson, Agency Support Director and John Vanderwerf, Chief Technology Officer, working with OET management

Estimated Completion Date: October 2010

[24] National Institute of Standards and Technology 800-53, AC-6 *Least Privilege.*

[25] National Institute of Standards and Technology 800-53, AU-2 *Auditable Events,* AU-3 *Content of Audit Records,* and AU-6 *Audit Review, Analysis and Reporting.*

Finding 4 - The Department of Management and Budget allowed incompatible access to the state's accounting system and unnecessary access to the bank's web-based application.

The department gave five department employees incompatible access to the state's accounting system. These five employees had the ability to cancel electronic payments, reissue those payments via warrants, and update the vendor files. These functions represent unique responsibilities required to be performed only at the department, but not by the same person. The department defined incompatible access for receipt and disbursement functions performed by other state agencies but did not define or monitor incompatible access for its own employees and processes with these unique responsibilities.

The department did not detect or correct inappropriate access the bank provided to five employees of other state agencies. The accesses allowed the employees to perform disbursement transactions from three different state bank accounts. The bank inadvertently established the access when it migrated to a new application. The department did not, however, sufficiently monitor or question this access. We verified that no inappropriate disbursements were made from the three accounts.

State policy requires agencies to limit access to only those functions an employee needs to perform job duties and to avoid allowing incompatible access to accounting systems.[26] The risk of errors and fraud increases when employees have incompatible or excessive access to the state's accounting system and banking applications. Had the department reviewed employees' access, it could have identified and corrected the incompatible and excessive access.

Recommendations

- *The department should eliminate incompatible and unnecessary access to the state's accounting system and banking applications.*
- *The department should identify incompatible security groups that its employees have to perform the department's unique responsibilities.*
- *The department should periodically review employee access to ensure the roles granted are necessary and compatible with their current job functions.*

[26] Department of Management and Budget Policy 1101-07 *Security and Access.*

Department of Management and Budget's Response to Finding 4

The security access for the five MMB employees has been reviewed and access for two of them will be reduced to remove the incompatible functions. For the remaining three employees, access to vendor files will be reviewed to determine whether additional mitigating controls are needed. Access to perform disbursement transactions has been removed for the five state agency employees who were granted access by the bank.

In the future, anytime a migration occurs from one system to another at the bank, treasury staff will ensure all proper changes are made and only appropriate access is granted.

Persons Responsible: Deloris Staffanson, Agency Support Director and Joe Howe, Director of Treasury Operations
Estimated Completion Date: September 2010

February 10, 2011

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
140 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155-4708

Dear Mr. Nobles:

Thank you for the opportunity to discuss with your staff the audit findings in the Report on Internal Control over Statewide Financial Reporting. Since this report includes all findings statewide, our response will specifically address only those findings related to the Department of Management and Budget. The remainder of the findings will be addressed by the specific agency involved. However, we will continue to work with agencies to ensure all findings in this report are implemented.

We place a high priority on continuing our long history of issuing high quality, accurate financial statements in compliance with Generally Accepted Accounting Principles (GAAP). Our 25-year history of receiving unqualified audit opinions and the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association is important to us. We value suggestions which will make our existing process even stronger.

Recommendation

Finding 1. Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements.

Response

We appreciate your acknowledgment that we have fully assessed and documented our financial reporting risks as well as performed and documented detailed assessments of procedures and risks related to reporting accounts receivable and accounts payable and implementation of the fund balance reporting requirements of a new accounting pronouncement. We will continue to provide training and oversight to state agencies related to the state's overall financial reporting process and work with the state agencies cited as they continue to develop comprehensive internal control structures for their financial reporting processes and responsibilities.

Person Responsible: Lori Mo, Accounting Services Assistant Commissioner

Implementation Date: December 31, 2011

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Recommendation

Finding 3. The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

Response

We continue to place a high emphasis on our review process. Extensive analysis and supervisory reviews are conducted of work performed by our financial reporting team. These reviews are designed to prevent material misstatements to the financial statements.

We will add additional instructions in our memo to the University of Minnesota (U of M) requesting activity between the University and its component units be properly eliminated against the accounts the activity is reported.

As the state is a very complex reporting entity, significant changes occur each year that require extensive analysis to ensure financial information is properly classified and reported in compliance with GAAP. During the current year, Minneapolis Employees Retirement Fund changed from an investment trust fund to a pension trust fund as a result of new legislation changing the state's fiduciary role. We had numerous meetings/communication with the State Board of Investment and Public Employees Retirement Association to discuss the interpretation of the legislation and the applicable GAAP. Timing of the completion of all of our reviews continues to be a challenge. While we have a process in place to reconcile all of our changes in fund structure after all funds are completed, the investment trust fund was due much earlier in the process and this reconciliation was not yet complete.

Person Responsible: Barb Ruckheim, Financial Reporting Director

Implementation Date: December 31, 2011

Finding 4. The Department of Management and Budget did not always prepare accurate footnote disclosures to the financial statements.

Response

We continue to go through very extensive review processes to ensure all footnote disclosures agree with the financial statements and comply with applicable GAAP.

During the year, we implemented new GAAP relating to derivatives that was very complex and required significant communications with other states, the Government Accounting Standards Board (GASB sets GAAP), the State Board of Investments and the master custodian. Many judgments were necessary to interpret this new GAAP. Guidance was unclear whether the fair value of TBA derivatives should be reported net of related brokerage liabilities or gross until very late in the financial statement preparation process. We will continue to work with other states and GASB to ensure new GAAP is implemented accurately.

We will also stress to the Minnesota State Colleges and Universities that revised notes are sent timely and that the financial statements including the notes to the financial statements are sent to us prior to sending to the Office of the Legislative Auditors.

Person Responsible: Barb Ruckheim, Financial Reporting Director

Implementation Date: December 31, 2011

Again, thank you for the opportunity to discuss and respond to the audit findings of the department. We value your work to improve Minnesota's internal control structure.

Sincerely,

James Schowalter
Commissioner

Minnesota Department of Education

February 14, 2011

James Nobles
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1063

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings for the Minnesota Department of Education which were included in the audit of the State of Minnesota's financial statements for the year ended June 30, 2010. Specific findings for the Department include findings 1, 2, and 3. The response to each finding, person responsible for implementation and timeframe is included with each finding.

Finding 1: "Prior Finding Partially Resolved: Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements."

OLA Recommendation "The Department of Education should assess risks and develop a comprehensive internal control structure for their financial reporting processes and responsibilities."

The Department agrees with this recommendation and will strengthen the risk assessment and internal control structure. The Department has, and will be working through the guidance being provided by the Internal Controls group at Minnesota Management and Budget. With their direction, along with dedicating staff to accomplishing this task, the Department plans to complete its risk assessment and analysis (and have developed a comprehensive internal control structure) by Dec. 31, 2011. The responsibility for implementation of this finding is with Al Louismet, Agency Accounting Operations Manager.

Finding 2: "Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls."

OLA Recommendation: "The agencies citied should ensure that they eliminate unnecessary or incompatible access to state business systems and incompatible duties in state business processes. If

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agency management determines that it is not possible to eliminate the incompatibilities, it should design, document, and implement mitigating controls and monitor the controls' performance and effectiveness in reducing the risk of error or fraud."

MDE IT Division is taking several steps to resolve the audit finding. They are appointing a senior network engineer to the position of CISO (Chief Information Security Officer) and supporting him with additional training for specialty certification needed for full credentialing. They are adding two additional positions to their network staff. They have recently hired an ITS 3 to assume additional duties needed to bring the agency into compliance with security measures. They will be shifting responsibilities of an existing ITS3 staff member and hiring one additional ITS1 position to assume help desk duties so that more experienced personnel can devote their time to establishing and maintaining security protocols for application access. We expect the final staff member to be in place within six months. At that time we will be able to devote full efforts to resolving the remaining security mapping in the audit finding. We expect this audit finding to be fully resolved by the end of the 2011 calendar year. The responsibility for implementation of this finding is with Cathy Wagner, IT Director.

Finding 3: "Prior Finding Partially Resolved: "The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements."

OLA Recommendation: "The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements."

The Department agrees with this finding. Our response to this finding is the same as in finding 1 and we will be assessing our risk as it relates to financial reporting in order to implement strong review and oversight in our preparation of data for the financial statements. We expect this finding to be resolved by December 31, 2011. The responsibility for implementing this finding is with Al Louismet, Agency Accounting Operations Manager.

I appreciate the opportunity to respond to these findings for the Department of Education. Please contact Al Louismet at 651-582-8683 if you have any questions.

Sincerely,

Brenda Cassellius

Dr. Brenda Cassellius
Commissioner

C: Jessie Montano
Al Louismet
Cathy Wagner

February 8, 2011

Mr. James R. Nobles
Legislative Auditor
Centennial Office Building, First Floor
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to the findings and recommendations as a result of the audit of the State of Minnesota financial statements for the year ended June 30, 2010. The Department of Employment and Economic Development (DEED) was referenced in one of the findings.

Audit Finding 3: Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

Recommendation:

- *The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements.*

Response: The department agrees with the finding and the recommendation.

1. DEED agrees that errors were made in the calculation of accounts receivable for the Unemployment Insurance Fund. Additional reviews will be performed in this area during the preparation of future financial statements.

2. DEED had authorized the federal government to apply all available revenue deposited each day to the outstanding loan balance. DEED assumed that these loan payments would be applied to the debt on a First-In, First-Out (FIFO) basis. This would have resulted in all amounts borrowed during FY 2010 being paid off during FY 2011. DEED subsequently learned that the federal government manages payments against these loans on a Last-In, First-Out (LIFO) basis. Therefore, DEED agrees that the loan amount should have been classified as a long-term liability.

Cindy Farrell, Chief Financial Officer, will oversee implementation of this recommendation for the FY 2011 financial statements to be prepared by October 15, 2011.

If you have any questions or need additional information please contact Cindy Farrell at 651-259-7085 or Cindy.Farrell@state.mn.us.

Sincerely,

Mark Phillips

Mark Phillips
Commissioner

Minnesota Department of **Human Services**

February 14, 2011

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

The enclosed material is the Department of Human Services' response to the findings and recommendations included in the draft audit report titled, "Report on Internal Control Over Statewide Financial Reporting" for the fiscal year ended June 30, 2010. It is our understanding that our response will be published in the Office of the Legislative Auditor's final audit report.

The Department of Human Services policy is to follow up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact Gary L. Johnson, Internal Audit Director, at (651) 431-3623.

Sincerely,

Lucinda E. Jesson
Commissioner

Enclosure

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Department of Human Services
Response to the Legislative Audit Report on
Internal Control Over Statewide Financial Reporting
For the Period July 1, 2009, through June 30, 2010

Audit Finding #2

Prior Finding Partially Resolved: As of June 30, 2010, the Department of Human Services had fourteen employees who had incompatible security access to the state's accounting system without establishing mitigating controls.

Audit Recommendation #2

- *The agencies cited should ensure that they eliminate unnecessary or incompatible access to state business systems and incompatible duties in state business processes. If agency management determines that it is not possible to eliminate the incompatibilities, it should design, document, and implement mitigating controls and monitor the controls' performance and effectiveness in reducing the risk of error or fraud.*

Agency Response to Audit Finding #2

The department agrees with this recommendation. The department is continuing to monitor and modify employee's access to the State's Accounting System to address incompatible access. With the conversion to SWIFT on July 1, 2011, staff assigned access to the new system will be reviewed to ensure that the access they are granted does not result in incompatible or unnecessary access. In cases where it is not possible to eliminate incompatible access in SWFIT, compensating controls will be put in place to address employees with incompatible access.

Person Responsible: Martin Cammack, Financial Operations Director
Estimated Completion Date: December 31, 2011

Audit Finding #3

Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

Audit Recommendation #3

- *The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements.*

Agency Response to Audit Finding #3 (applicable to the three DHS bulleted items)

The department agrees with this recommendation. The department will evaluate our process for preparing and reviewing schedules of financial data submitted for preparation of the state's financial statements to identify areas where additional reviews will improve internal controls over reporting.

Person Responsible: Martin Cammack, Financial Operations Director
Estimated Completion Date: December 31, 2011

Audit Finding #5

Prior Finding Partially Resolved: The Department of Human Services did not reconcile child care assistance subsystem data to the state's accounting system and did not reconcile the healthcare accounts payable reports to the Medicaid Management Information System data warehouse.

Audit Recommendation #5

- *The Department of Human Services should establish sufficient controls to ensure that staff complete timely reconciliations between the child care assistance subsystem data and the state's accounting system and reconciles the healthcare payable reports to its Medicaid Management Information System data warehouse.*

Agency Response to Audit Finding #5

The department agrees with this recommendation. The department will complete the child care subsystem reconciliation process approved by the OLA monthly effective July 1, 2010, and will perform a reconciliation process between the healthcare payable reports and the Medicaid Management Information System.

Person Responsible: Martin Cammack, Financial Operations Director
Estimated Completion Date: December 31, 2011

MSRS Minnesota State Retirement System
MNDCP Minnesota Deferred Compensation Plan
HCSP Health Care Savings Plan

February 11, 2011

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to review and respond to the findings and recommendations in your report on internal controls over statewide financial reporting for the fiscal year ended June 30, 2010. As always, we take any audit finding very seriously and have already initiated corrective actions to address your findings and recommendations.

Finding 1 - Prior Finding Partially Resolved: Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements of financial statements.

We concur with your report comment that we have not fully assessed and documented our financial reporting risks. While we continue to believe that we have strong, effective financial controls in place, we recognize that we need to do more to improve documentation of our internal controls over financial reporting processes and to perform formal risk assessments periodically. We plan to hire an individual prior to fiscal year end whose position responsibilities will include these duties. It is our goal to implement a comprehensive internal control structure for financial reporting by the end of fiscal year 2012. Accounting Director Dennis E. Jensen and Assistant Executive Director Judy Hunt are the persons responsible for resolution of this finding.

Finding 2. Prior Finding Partially Resolved: Several agencies allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls.

We appreciate your acknowledgement of our recent progress to resolve this audit issue. We are continuing efforts to eliminate incompatible duties or establish mitigating controls to reduce the risk of error or fraud. In January 2011, managers reviewed employees' access privileges and authorized modifications, where necessary, to limit employees' access to only those functions that are necessary for their assigned job duties. We are still developing a formal process to periodically review and recertify computer

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651-296-2761 | Toll-free: 1-800-657-5757 | Fax: 651-297-5238 | www.msrs.state.mn.us

users' access to our systems. This involves the development of a procedural manual that will guide managers and supervisors to select the appropriate user profile for each of their employees who need access to our systems to perform their assigned job duties. Persons responsible for finalizing the review and recertification process and completing the user profile guide for management and supervisors use are Information Systems Manager Al Cooley and Assistant Database Administrator Lloyd Johnson.

We will continue to explore options to eliminate incompatible access among our employees who have the ability to update member account information or to mitigate the risks of error or fraud associated with their access profiles. Resolution of this audit issue may require computer programming changes, independent reviews, implementation of a quality control function for our defined benefit plans, or other mitigating controls. Persons responsible for resolution of this audit issue include Information Systems Manager Al Cooley and Assistant Executive Directors Judy Hunt and Erin Leonard.

We hope to resolve all aspects of this finding by the end of December, 2011.

We appreciate the work of your agency to identify areas within MSRS that need improvement. We are committed to taking appropriate actions to further strengthen our internal control structure.

Sincerely,

David Bergstrom

Dave Bergstrom
Executive Director

cc: Judy Hunt
Dennis E. Jensen
Lloyd Johnson
Erin Leonard
Al Cooley

MINNESOTA · REVENUE

February 10, 2011

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
658 Cedar Street
140 Centennial Office Building
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles:

This letter contains our responses to the Office of Legislative Auditor's findings and recommendations contained in a draft report we received on January 28, 2011. The audit covers basic financial statements for the year ended June 30, 2010.

As it pertains to the Minnesota Department of Revenue, the audit report focuses on three findings, each of which we address below under "agency response."

Finding (1): Prior Finding Partially Resolved: "Several agencies (including the Department of Revenue) lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements."

Recommendation: *The Departments of Education, Revenue, and Transportation, the State Board of Investment and the Minnesota State Retirement System should assess risks and develop a comprehensive internal control structure for their financial reporting processes and responsibilities.*

Agency Response:

In FY 2010, the Department of Revenue completed the Control Environment Tool designed by the Internal Control and Accountability Unit at MMB. This tool was designed to assess the department's control environment, the foundation of an effective internal control system. The department did not take the next step, completing a risk assessment, because we were still in transition from our old tax systems to our new Integrated Tax System, GenTax. Now that all of our major tax types have been converted to GenTax we are ready to begin that next step. We will request assistance from the Internal Control and Accountability Unit in developing a risk assessment process.

Person(s) responsible for resolving the finding: Jean Jochim and Dan Ostdiek

Expected resolution date: December, 2011

Finding (2): Prior Finding Partially Resolved: “Several agencies (including the Department of Revenue) allowed employees to have inappropriate access to state business systems or perform incompatible duties without establishing mitigating controls.

Recommendation: *The agencies cited should ensure that they eliminate unnecessary or incompatible access to state business systems and incompatible duties in state business processes. If agency management determines that it is not possible to eliminate the incompatibilities, it should design, document, and implement mitigating controls and monitor the controls’ performance and effectiveness in reducing the risks of error or fraud.*

Agency Response Part a:

As long as human weakness and criminal intent exist there is the possibility of fraud and collusion. In light of recent tax refund fraud the Department of Revenue has taken five key steps to minimize the risk of future fraud. The steps include:

1. Policy and procedural enhancements
2. New policies on reviewing employee activities
3. Systems reporting enhancements
4. Systems security limitations and restrictions
5. Management training, education, and employee communication

The specifics of these changes are described below.

Policy and procedural enhancements

Policy enhancements will include, but not be limited to:

a. Prohibiting employees from approving refunds they manually create
b. Requiring employees approving refunds to be at a higher level organizationally, than employees requesting refunds
c. Prohibiting employees from requesting or approving refunds for a tax type outside of their assigned tax type
d. Employees requesting a manual refund must provide a detailed reason for the refund
e. Each division will retain a checklist for employees who approve work to make sure appropriate approval reviews occur

New policies on reviewing employee activities

a. Revenue’s new integrated tax system (GenTax) provides the capability to generate employee activity reports. Management will be held accountable for reviewing such reports and flagging and investigating unusual or suspicious employee activity.

b. The agency's internal audit presence will be increased. Internal Audit will be responsible for reviewing reports and following up on indicators flagged in reports.

Systems reporting enhancements

Revenue's 20-year-old legacy tax systems were incapable of generating employee activity reports from which management could have readily reviewed the work of selected employees.

a. The Department is developing several reports that will include data to aid in identifying potential employee issues.
b. Written policies will include a requirement for direct supervisors and Internal Audit to review reports and report identified issues.
c. System enhancements have been made to automatically restrict security access and make it easier for supervisors to track security.

Systems security limitations and restrictions

a. Upon discovery of refund fraud existing refund safeguards within the new GenTax system were reviewed.
b. We are reviewing current access authorities of every employee and tracking historical accesses of all employees. Where appropriate, we are restricting or removing accesses.

Management training, education, and employee communication

a. The Department of Revenue has begun developing a more targeted training program for employees in several areas, including their responsibilities for the proper handling and use of taxpayer records.
b. A new statement will be added to the agency's Code of Conduct which strongly warns employees that inappropriate use of DOR systems and participating in fraudulent activities could result in severe discipline, including dismissal. These important messages to employees will be repeated at employee forums and through the use of the agency's intranet, which is the first screen employees see when they boot-up their computers.
c. The Department of Revenue is working towards developing management training to help managers learn how to review new reports, look for "red flags", and identify and address inappropriate behavior that is often associated with inappropriate activities.

Person responsible for resolving the finding: Terri Steenblock

Expected resolution date: On-going

Agency Response Part b:

The Special Taxes Division has undertaken steps to address the possible risks of fraud or error related to access to the stamp room and to systems which control stamp inventory and accounting. They include:

1. Installation of a motion activated video camera in the stamp room. All activities in the room are recorded and maintained by HR staff.
2. Monthly Stamp Room door access reports from HRM
3. Regular review of cigarette tax system rights
4. Separation of duties so stamp fillers do not take inventory

The Special Taxes Division intends to further reduce the risk of fraud or error by working on the following in the immediate term:

1. Separate the stamp order invoicing duties and the stamp order filling duties.
2. Reduce the number of cardholders with access to the stamp room.
3. Create rules around who may print inventory reports in cigarette tax system, and who conducts monthly inventory counts.
4. Reinforce system rights for who may make cigarette tax system accounting adjustments.
5. Explore steps that can be taken to reduce the risk of stamp loss, including modifications to the stamp room configuration by possibly enabling separation of inventory.
6. Replacement of the 20 year old cigarette tax system with a modern integrated tax system which will have many checks and balances not currently available.

Person responsible for resolving the finding: Wayne Lang

Expected resolution date: February, 2012

Finding (3): Prior Finding Partially Resolved: "The Department of Management and Budget and other agencies (including the Department of Revenue) did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

Recommendation: *The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements.*

Agency Response:

The Financial Management Division is updating the process of collecting data for inclusion in the state's financial statements. The current process is very manual and, in recent years, complicated by data from both our Legacy Systems and new Integrated Tax System. Now that all of our major tax types have been converted to GenTax, we are planning to use the systems reporting capabilities to minimize manual intervention and the associated increased probability of errors. The Financial Management Division will also continue to partner with the Property Tax Division to improve the accuracy of the property tax remittance data. However, the statewide property tax will be converted to GenTax in March 2012, which will automate the collection and reconciliation processes.

Person(s) responsible for resolving the finding: Jean Jochim and Dan Ostdiek

Expected resolution date: December, 2011

Sincerely,

Daniel A. Salomone
Commissioner

MINNESOTA STATE BOARD OF INVESTMENT

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February 14, 2011

Mr. James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your report on internal control over the State Board of Investment financial reporting process.

Prior Finding Partially Resolved: The State Board of Investment made only limited progress toward developing its comprehensive internal control structure and had not fully assessed and documented its financial reporting risks.

Recommendation: The State Board of Investment should assess risks and develop a comprehensive internal control structure for financial reporting processes and responsibilities.

Response: While the past year included the implementation of several initiatives and new GASB requirements which resulted in substantial changes to financial reporting for the State Board of Investment, we recognize the need to fully assess and document financial reporting risks in light of all the changes. The State Board of Investment will continue working to develop and maintain an effective internal control structure in accordance with Department of Management and Budget policy.

Person Responsible: Administrative Director

Implementation Date: June 30, 2011

Thank you for the opportunity to respond to your findings and recommendations.

Sincerely,

Howard Bicker
Executive Director.

Minnesota Department of Transportation

Transportation Building
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

February 8, 2010

James R. Nobles
Legislative Auditor
100 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to review and respond to the audit of the State of Minnesota's financial statements for the year ended June 30, 2010. This letter is the Minnesota Department of Transportation (Mn/DOT) response to the draft report issued by the Office of the Legislative Auditor.

Finding 1 – Prior finding partially resolved: Several agencies lacked a comprehensive internal control structure over financial reporting to sufficiently mitigate the risk of potential misstatements in the financial statements.

Recommendation: The Department of Management and Budget should continue to provide training and oversight to state agencies related to the state's overall financial reporting process and work with those state agencies cited as they continue to develop comprehensive internal control structures for their financial reporting processes and responsibilities.

Response: Mn/DOT believes strongly in financial integrity and concurs with this finding. Mn/DOT is addressing this issue in the following manner:

1. Mn/DOT is using the Agency-wide Minnesota Management and Budget (MMB) Control Environment Self-Assessment Tool to determine if adequate controls are in place throughout the agency. Seven teams were set up to identify areas to work through to strengthen internal control and improve business processes and roles.
2. Mn/DOT is using the LEAN process to ensure financial management information is complete and accurate. LEAN is a coordinated state government initiative for improving the organizational performance and results in Minnesota's state government agencies.

Responsible Staff: Pamela Tschida, Acting Chief Financial Officer
Implementation Date: February, 2011 and ongoing.

Finding 3 – Prior Finding Partially Resolved: The Department of Management and Budget and other state agencies did not have adequate controls to prevent and detect errors in the financial information used to compile the financial statements.

Recommendations:

- *The Department of Management and Budget and other state agencies should conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements.*
- *The Department of Transportation should ensure that it designs effective invoice approval and payment controls to prevent or detect and correct inaccurate payments on a timely basis.*

Response to the first recommendation: Mn/DOT concurs with the recommendation to conduct sufficient reviews of financial data to ensure the state prepares accurate financial statements. Since accounting for all capital assets has been identified as a critical control issue, Mn/DOT is realigning resources to incorporate a supervisory control to mitigate this weakness. Mn/DOT will continue to work with MMB staff to ensure the integrity of its financial reporting for all capital assets.

Response to the second recommendation: Mn/DOT concurs with the recommendation that it should design effective invoice approval and payment controls to prevent or detect and correct inaccurate payments on a timely basis. Mn/DOT will review and update its current processes and procedures. Mn/DOT staff will continue to educate staff on internal controls to ensure an accurate invoice approval and payment process. In addition, within the coming year, an updated payment voucher system will be installed that will eliminate the opportunity for this type of error.

Responsible Staff: Pamela Tschida, Acting Chief Financial Officer and Gerald Wood, Accounting Director
Implementation Date: February, 2011

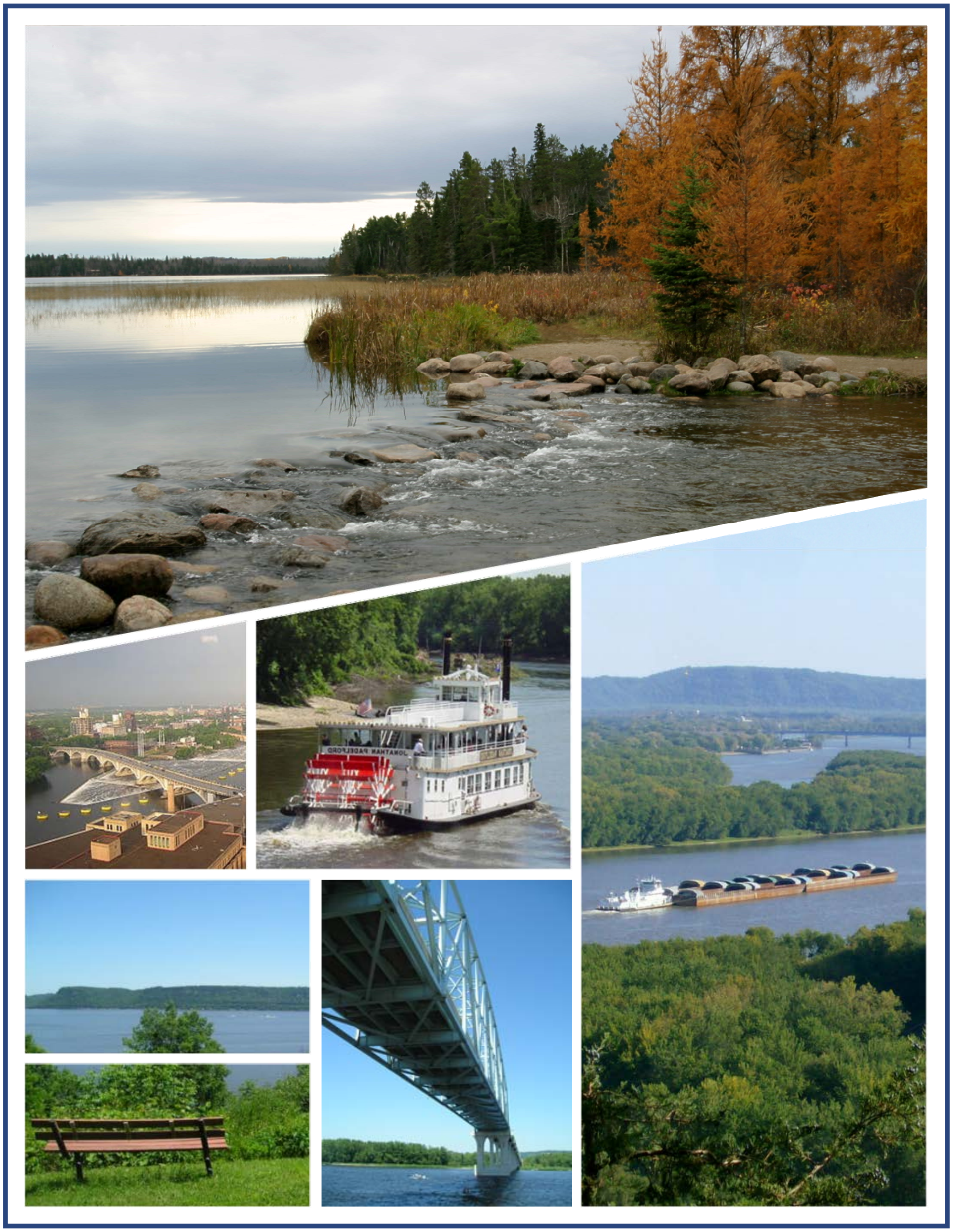
Thank you for the opportunity to respond to your findings and recommendations. Mn/DOT will monitor the implementation to the successful resolution of these findings. Please contact Gerald Wood, Accounting Director, at 651-366-4904 with any follow-up questions or information.

Sincerely,

Thomas K. Sorel
Commissioner of Transportation

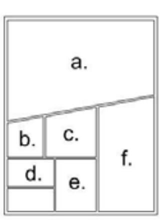
State of Minnesota

Financial and Compliance Report on Federally Assisted Programs



For the Year Ended June 30, 2010

Minnesota State is defined by its connection with the Mississippi River. Headwaters for the mighty river are located in Itasca State Park. Flowing through Minneapolis, the state's largest city, and Saint Paul, the state's capital, it continues to Lake Pepin, the birthplace of water skiing and home to hundreds of bald eagles and other water fowl. Distinctive bridges spanning the river connect us with the eastern half of the nation and its stream carries our natural resources to the Gulf Coast.



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Financial and Compliance Report on Federally Assisted Programs

For the Year Ended June 30, 2010

State of Minnesota

2010 Minnesota Financial and Compliance Report on Federally Assisted Programs

State of Minnesota

The Minnesota Financial and Compliance Report on Federally Assisted Programs can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. To obtain this document in an alternate format, contact:

Minnesota Management & Budget
400 Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1489
651-201-8000

The Minnesota Relay service phone number is 1-800-627-3529.

The State of Minnesota Financial and Compliance Report on Federally Assisted Programs is available at the following website:

http://www.mmb.state.mn.us/

Table of Contents

MINNESOTA

Headwaters of the mighty Mississippi

2010 Financial and Compliance Report on Federally Assisted Programs

Transmittal Letter from the Commissioner of Minnesota Management and Budget

May 6, 2011

The Honorable Mark Dayton, Governor

Members of the Legislature

I am submitting the State of Minnesota Financial and Compliance Report on Federally Assisted Programs for the year ended June 30, 2010. This report meets the requirements of the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

This single audit report includes all federal assistance received by the state agencies determined to be a part of the State of Minnesota's primary government. Programs administered by the state's discretely presented component units are reported in separate single audit reports issued by the individual component units. The criteria used to define the state's reporting entity are those established by the Governmental Accounting Standards Board.

For purposes of the single audit in Minnesota, the audited entity is the state rather than each state agency. With this approach, the single audit can be combined with the state's annual financial audit. This is an efficient approach for Minnesota because state agencies are all subject to the same centralized controls (accounting, personnel/payroll and procurement systems).

Management Responsibilities

Minnesota Management and Budget is responsible for the accuracy, fairness and completeness of the Schedule of Expenditures of Federal Awards, including all disclosures, presented in this report. The department is also responsible for the Minnesota Accounting and Procurement System (MAPS), which was used in preparing this report. I believe the schedule provides a fair representation of expenditures for federal programs for the year ended June 30, 2010.

The financial schedules presented are meant to provide a consistent basis for reporting on the expenditures of federal assistance received by state agencies. The schedules are not meant to replace recipient financial reporting currently required for each individual program of federal assistance.

Minnesota Management and Budget is responsible for designing and applying statewide internal controls. State agencies are responsible for additional internal controls used for the administration of federal programs. These controls provide reasonable assurance that the state's assets are protected against loss, either intentional or unintentional; resource use is consistent with laws, regulations and policies; transactions are executed in accordance with management's authorization; and the accounting records from which financial schedules were prepared are reliable. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefit derived.

In addition, state agencies have specific responsibilities for federal programs. State agencies are required to manage and maintain adequate accounting records for their federal programs. They are required by the relevant federal departments and agencies to prepare periodic financial reports. State agencies are also responsible for assuring that organizations to which they subgrant federal funds have the required audits and promptly resolve federal program deficiencies reported as a result of those audits. The U.S. Department of Health and Human Services - Office of Inspector General – Office of Audit Services serves as the lead cognizant agency representing all federal agencies awarding federal assistance to the state of Minnesota.

Federal Financial Assistance to the State of Minnesota

In fiscal year 2010, the state of Minnesota received approximately $14.2 billion in federal assistance for its many programs.

Audits

The Minnesota Office of the Legislative Auditor performs an annual statewide audit primarily for the purpose of expressing an audit opinion on the financial statements included in the state's Comprehensive Annual Financial Report prepared by Minnesota Management and Budget. Another purpose of the statewide audit is to provide information to the Governor, Legislature and heads of state agencies concerning financial and accounting issues involving the state and its agencies. The scope of the annual statewide audit also includes the federal requirements of the Single Audit Act and OMB Circular A-133.

The Office of the Legislative Auditor has audited the state's major federal programs identified in this single audit report, including the federal program expenditure schedules. The auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance is included as part of this report. The Office of the Legislative Auditor has also issued a report on internal control over financial reporting in conjunction with the audit of the state's Comprehensive Annual Financial Report for the year ended June 30, 2010.

All subrecipients receiving federal assistance from Minnesota state agencies have been required to have audits in accordance with OMB Circular A-133. Results of these audits are summarized in the Report on Audits of Subrecipients issued by the Minnesota Office of the State Auditor.

Report

This single audit report supplements the state's Comprehensive Annual Financial Report for the year ended June 30, 2010, and includes financial information on federal programs which was compiled by Minnesota Management and Budget.

The Office of the Legislative Auditor is responsible for preparing the auditor's report on compliance with requirements applicable to each major federal program and on internal control over compliance, the summary of auditor's results, and the schedules of audit findings and questioned costs for federal awards. Minnesota Management and Budget is responsible for preparing the schedules of expenditures for federal programs and the status of prior federal program audit findings schedule.

Acknowledgments

Although Minnesota Management and Budget accepts final responsibility for this report, we would like to acknowledge the significant assistance provided by staff in the many state agencies receiving federal assistance. The financial schedules agencies prepared for each of their federal programs were used to compile these financial schedules.

Sincerely,

James Schowalter
Commissioner

MINNESOTA

Headwaters of the mighty Mississippi

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Minnesota Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner of Minnesota Management and Budget

Compliance

We have audited the compliance of the State of Minnesota with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to the state's major federal programs for the year ended June 30, 2010. The state's major federal programs are identified in Section I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the federal requirements for these programs is the responsibility of the state's management. Our responsibility is to express an opinion on the State of Minnesota's compliance based on our audit.

The State of Minnesota's basic financial statements include the operations of its discretely presented component units, which received approximately $1.6 billion in federal awards. Those expenditures of federal awards are not included in the State of Minnesota's schedule of expenditures of federal awards for the year ended June 30, 2010. Our audit, described below, did not include the state's discretely presented component units because they are not included as part of the state's primary government; accordingly, those units have engaged other auditors to perform their federal compliance audits in accordance with OMB Circular A-133.

We conducted our audit in accordance with the American Institute of Certified Public Accountants *Statements on Auditing Standards;* the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred that could have a direct and material effect on the compliance requirements referred to above for a major federal program. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Minnesota's compliance with those requirements.

As described in Finding 11-13-1 in Section III of the accompanying Schedule of Findings and Questioned Costs, we were unable to determine if the State of Minnesota complied with certain federal requirements (eligibility; activities allowed or unallowed; and allowable costs/cost principals) that are applicable to the following programs:

- Medical Assistance and Medical Assistance-ARRA (CFDA 93.778),
- Temporary Assistance for Needy Families (CFDAs 93.558 and 93.714-ARRA), and
- Child Care Cluster (CFDAs 93.575, 93.596, and 93.713-ARRA) programs.

Compliance with eligibility and the other requirements stated above is necessary, in our opinion, for the State of Minnesota to comply with the overall requirements applicable to those programs. Because we were unable to determine the state's compliance with these requirements, we have qualified our opinion, as shown in the following paragraph.

In our opinion, except as described in the preceding paragraph, the State of Minnesota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which we are required to report in accordance with OMB Circular A-133 and that we describe in Section III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program. The purpose of our consideration of internal control was to determine the auditing procedures necessary for us to express our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control was not for the purpose of expressing an opinion on its effectiveness over compliance; accordingly, we do not express an opinion on the effectiveness of the State of Minnesota's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies[1] in the

[1] A *deficiency* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

State of Minnesota's internal control over compliance that might be significant deficiencies[2] or material weaknesses[3] and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we consider the deficiencies in internal control over compliance identified as Finding 10-34-1 and Finding 11-13-1 in Section III of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. We consider all of the other deficiencies in internal control over compliance described in Section III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State of Minnesota departments' responses to the findings identified in our audit are included in Section III of the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the State of Minnesota, the governor of the State of Minnesota, the Minnesota Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a public document.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

April 29, 2011, except for Schedule of Expenditures of Federal Awards as to which the date is December 20, 2010

[2] A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
[3] A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

MINNESOTA

Headwaters of the mighty Mississippi

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Supplemental Nutrition Assistance Program (SNAP) Cluster				
10.551	SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (7)	HUMAN SERVICES	$	586,652,651
10.561	STATE ADMIN MATCHING GRANTS FOR SUPP. NUTR.	HUMAN SERVICES	$	60,769,132
10.561	ARRA-STATE ADMIN MATCHING GRANTS FOR SUPP. NUTR.	HUMAN SERVICES	$	1,401,033
		Supplemental Nutrition Assistance Program (SNAP) Cluster Total:	**$**	**648,822,816**
Child Nutrition Cluster				
10.553	SCHOOL BREAKFAST PROGRAM	EDUCATION	$	31,369,715
10.555	NATIONAL SCHOOL LUNCH PROGRAM	EDUCATION	$	144,961,629
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	EDUCATION	$	670,222
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	EDUCATION	$	4,227,475
		Child Nutrition Cluster Total:	**$**	**181,229,041**
10.557	SPECIAL SUPP. NUTRITION PROGRAM FOR WOMEN, INFANTS (4)	HEALTH	$	94,526,182
10.558	CHILD AND ADULT CARE FOOD PROGRAM	EDUCATION	$	62,279,309
U.S. DEPARTMENT OF DEFENSE				
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	MILITARY AFFAIRS	$	51,968,033
12.401	ARRA-NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	MILITARY AFFAIRS	$	4,774,777
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINT.	NATURAL RESOURCES	$	691,865
		Program 12.401 Total:	**$**	**57,434,675**
U.S. DEPARTMENT OF LABOR				
Workforce Investment Act (WIA) Cluster				
17.258	WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	$	9,636,250
17.258	ARRA-WIA ADULT PROGRAM	EMPLOYMENT & ECONOMIC	$	5,368,267
17.259	ARRA-WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	$	13,514,344
17.259	WIA YOUTH ACTIVITIES	EMPLOYMENT & ECONOMIC	$	12,781,372

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency	Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
17.260	WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	$ 21,395,181
17.260	ARRA-WIA DISLOCATED WORKERS	EMPLOYMENT & ECONOMIC	$ 20,617,407
17.260	WIA DISLOCATED WORKERS	LABOR AND INDUSTRY	$ 9,777
		Workforce Investment Act (WIA) Cluster Total:	**$ 83,322,598**
17.225	UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	$ 2,193,426,356
17.225	ARRA-UNEMPLOYMENT INSURANCE (5)	EMPLOYMENT & ECONOMIC	$ 897,216,831
		Program 17.225 Total:	**$ 3,090,643,187**
U.S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
20.205	HIGHWAY PLANNING AND CONSTRUCTION	EXPLORE MINNESOTA TOURISM	$ 43,804
20.205	HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	$ 447,132,720
20.205	ARRA-HIGHWAY PLANNING AND CONSTRUCTION	TRANSPORTATION	$ 293,546,538
20.219	RECREATIONAL TRAILS PROGRAM	NATURAL RESOURCES	$ 1,303,064
		Highway Planning and Construction Cluster Total:	**$ 742,026,126**
Federal Transit Cluster			
20.500	FEDERAL TRANSIT_CAPITAL INVESTMENT GRANTS	TRANSPORTATION	$ 40,532,671
20.507	FEDERAL TRANSIT_FORMULA GRANTS	TRANSPORTATION	$ 254,897
		Federal Transit Cluster Total:	**$ 40,787,568**
20.106	AIRPORT IMPROVEMENT PROGRAM	TRANSPORTATION	$ 65,430,102
20.106	ARRA-AIRPORT IMPROVEMENT PROGRAM	TRANSPORTATION	$ 15,863,165
		Program 20.106 Total:	**$ 81,293,267**
U.S. DEPARTMENT OF ENERGY			
81.042	ARRA-WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSON	COMMERCE	$ 46,818,098
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	COMMERCE	$ 11,057,910
		Program 81.042 Total:	**$ 57,876,008**

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Vocational Rehabilitation Cluster				
84.126	REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	$	52,966,797
84.390	ARRA-REHAB SERVICES_VOCATIONAL REHAB GRANTS	EMPLOYMENT & ECONOMIC	$	3,112,714
		Vocational Rehabilitation Cluster Total:	**$**	**56,079,511**
Title I, Part A Cluster				
84.010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	$	162,644,522
84.389	ARRA-TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	EDUCATION	$	91,840,552
		Title I, Part A Cluster Total:	**$**	**254,485,074**
Student Financial Assistance Cluster				
84.007	FEDERAL SUPP. EDUCATIONAL OPPORTUNITY GRANTS	STATE COLLEGES & UNIVERSITIES	$	6,389,253
84.032	FEDERAL FAMILY EDUCATION LOANS (3)	STATE COLLEGES & UNIVERSITIES	$	458,211,894
84.033	FEDERAL WORK-STUDY PROGRAM	STATE COLLEGES & UNIVERSITIES	$	7,373,199
84.038	FEDERAL PERKINS LOAN (2)	STATE COLLEGES & UNIVERSITIES	$	30,957,483
84.063	FEDERAL PELL GRANT PROGRAM	STATE COLLEGES & UNIVERSITIES	$	254,681,709
84.268	FEDERAL DIRECT STUDENT LOANS (3)	STATE COLLEGES & UNIVERSITIES	$	192,552,846
84.375	ACADEMIC COMPETITIVENESS GRANTS	STATE COLLEGES & UNIVERSITIES	$	3,133,645
84.376	NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN	STATE COLLEGES & UNIVERSITIES	$	1,526,987
84.379	TEACHER ED. ASSIST. FOR COLLEGE AND HIGHER ED. GRANTS	STATE COLLEGES & UNIVERSITIES	$	233,734
93.364	NURSING STUDENT LOANS (2)	STATE COLLEGES & UNIVERSITIES	$	9,151
		Student Financial Assistance Cluster Total:	**$**	**955,069,901**
State Fiscal Stabilization Fund Cluster				
84.394	ARRA-STATE FISCAL STABILIZATION FD (SFSF) (8)	GOVERNORS OFFICE	$	578,207,631
84.397	ARRA-STATE FISCAL STABILIZATION FD (SFSF) (8)	GOVERNORS OFFICE	$	148,010,250
		State Fiscal Stabilization Fund Cluster Total:	**$**	**726,217,881**
Special Education Cluster (IDEA)				
84.027	SPECIAL EDUCATION_GRANTS TO STATES	EDUCATION	$	200,538,678
84.173	SPECIAL EDUCATION_PRESCHOOL GRANTS	EDUCATION	$	9,158,266

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
84.391	ARRA-SPECIAL EDUCATION GRANTS TO STATES	EDUCATION	$	189,647,721
84.392	ARRA-SPECIAL EDUCATION - PRESCHOOL GRANTS	EDUCATION	$	7,707,311
		Special Education Cluster (IDEA) Total:	**$**	**407,051,976**
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	EDUCATION	$	44,735,480
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster				
93.558	TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	HUMAN SERVICES	$	227,759,645
93.714	ARRA-EMERGENCY CONTINGENCY FUND FOR TANF	HUMAN SERVICES	$	40,508,000
		Temporary Assistance for Needy Families (TANF) Cluster Total:	**$**	**268,267,645**
Medicaid Cluster				
93.775	STATE MEDICAID FRAUD CONTROL UNITS	ATTORNEY GENERAL	$	967,135
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HEALTH	$	7,098,156
93.777	STATE SURVEY AND CERT. OF HEALTH CARE PROVIDERS	HUMAN SERVICES	$	5,383,271
93.778	ARRA-MEDICAL ASSISTANCE PROGRAM	HUMAN SERVICES	$	855,614,111
93.778	MEDICAL ASSISTANCE PROGRAM (4)	HUMAN SERVICES	$	4,111,662,216
		Medicaid Cluster Total:	**$**	**4,980,724,889**
Immunization Cluster				
93.268	IMMUNIZATION GRANTS	HEALTH	$	40,090,607
93.712	ARRA-IMMUNIZATION	HEALTH	$	3,256,346
		Immunization Cluster Total:	**$**	**43,346,953**
Child Care and Development Fund (CCDF) Cluster				
93.575	CHILD CARE AND DEVELOPMENT BLOCK GRANT	HUMAN SERVICES	$	48,678,196
93.596	CHILD CARE MANDATORY AND MATCHING FUNDS	HUMAN SERVICES	$	48,894,541
93.713	ARRA-CHILD CARE AND DEVELOPMENT	HUMAN SERVICES	$	26,076,808
		Child Care and Development Fund (CCDF) Cluster Total:	**$**	**123,649,545**
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	HEALTH	$	48,966,747

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
MAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.563	CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	$	112,738,617
93.563	ARRA-CHILD SUPPORT ENFORCEMENT	HUMAN SERVICES	$	10,121,359
		Program 93.563 Total:	**$**	**122,859,976**
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	COMMERCE	$	170,386,581
93.658	FOSTER CARE_TITLE IV-E	HUMAN SERVICES	$	43,525,248
93.658	ARRA-FOSTER CARE_TITLE IV-E	HUMAN SERVICES	$	2,032,097
93.658	FOSTER CARE_TITLE IV-E	STATE COLLEGES & UNIVERSITIES	$	179,785
		Program 93.658 Total:	**$**	**45,737,130**
93.667	SOCIAL SERVICES BLOCK GRANT	HUMAN SERVICES	$	34,115,876
U.S. DEPARTMENT OF HOMELAND SECURITY				
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE	PUBLIC SAFETY	$	31,960,863
		Major Program Total:	**$**	**13,453,896,805**

The notes (referenced in parentheses) are an integral part of these statements.

MINNESOTA

Headwaters of the mighty Mississippi

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Schools and Roads Cluster				
10.665	SCHOOLS AND ROADS - GRANTS TO STATES	MMB NON-OPERATING	$	3,300,176
		Schools and Roads Cluster Total:	**$**	**3,300,176**
Emergency Food Assistance Cluster				
10.568	ARRA-EMERGENCY FOOD ASSISTANCE (ADMIN COSTS)	HUMAN SERVICES	$	364,927
10.568	EMERGENCY FOOD ASSISTANCE (ADMINISTRATIVE COSTS)	HUMAN SERVICES	$	861,548
		Emergency Food Assistance Cluster Total:	**$**	**1,226,475**
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	AGRICULTURE	$	1,374,050
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	ANIMAL HEALTH BOARD	$	1,209,032
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	NATURAL RESOURCES	$	88,278
		Program 10.025 Total:	**$**	**2,671,360**
10.028	WILDLIFE SERVICES	NATURAL RESOURCES	$	99,039
10.069	CONSERVATION RESERVE PROGRAM	NATURAL RESOURCES	$	126,319
10.086	ARRA-AQUACULTURE GRANTS PROGRAM (AGP)	AGRICULTURE	$	69,494
10.156	FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM	AGRICULTURE	$	42,021
10.162	INSPECTION GRADING AND STANDARDIZATION	AGRICULTURE	$	144,946
10.163	MARKET PROTECTION AND PROMOTION	AGRICULTURE	$	918,239
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM	AGRICULTURE	$	52,582
10.170	SPECIALTY CROP BLOCK GRANT PROGRAM - FARM BILL	AGRICULTURE	$	307,263
10.456	PARTNERSHIP AGREEMENTS TO DEV NON-INS RISK MGMT TOOLS	AGRICULTURE	$	29,945
10.475	COOP AGMNTS WITH STATES FOR INTRASTATE MEAT, POULTRY	AGRICULTURE	$	1,275,171
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	AGRICULTURE	$	565,668
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	EDUCATION	$	2,985,846
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	HEALTH	$	977,987

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (Continued)				
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	AGRICULTURE	$	311,970
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	AGRICULTURE	$	95,597
10.578	ARRA-WIC GRANTS TO STATES (WGS)	HEALTH	$	464,291
10.579	ARRA-CHILD NUTRITION DESCRETIONARY GRANTS	EDUCATION	$	1,270,665
10.582	FRESH FRUIT AND VEGETABLE PROGRAM	EDUCATION	$	855,084
10.603	EMERGING MARKETS PROGRAM	AGRICULTURE	$	58,310
10.652	FORESTRY RESEARCH	NATURAL RESOURCES	$	3,599
10.652	FORESTRY RESEARCH	STATE COLLEGES & UNIVERSITIES	$	13,356
		Program 10.652 Total:	**$**	**16,955**
10.664	COOPERATIVE FORESTRY ASSISTANCE	AGRICULTURE	$	240,288
10.664	COOPERATIVE FORESTRY ASSISTANCE	NATURAL RESOURCES	$	2,312,200
		Program 10.664 Total:	**$**	**2,552,488**
10.668	ADDITIONAL LANDS-GRANTS	MMB NON-OPERATING	$	6,150,000
10.675	URBAN AND COMMUNITY FORESTRY PROGRAM	NATURAL RESOURCES	$	247,279
10.676	FOREST LEGACY PROGRAM	NATURAL RESOURCES	$	45,128
10.677	FOREST LAND ENHANCEMENT PROGRAM	NATURAL RESOURCES	$	24,326
10.678	FOREST STEWARDSHIP PROGRAM	NATURAL RESOURCES	$	458,366
10.680	FOREST HEALTH PROTECTION	AGRICULTURE	$	214,404
10.680	FOREST HEALTH PROTECTION	NATURAL RESOURCES	$	287,067
		Program 10.680 Total:	**$**	**501,471**
10.861	PUBLIC TELEVISION STATION DIGITAL TRANSITION GRANT	STATE COLLEGES & UNIVERSITIES	$	94,693
10.902	SOIL AND WATER CONSERVATION	AGRICULTURE	$	77,207
10.902	SOIL AND WATER CONSERVATION	WATER & SOIL RESOURCES	$	3,350,120
		Program 10.902 Total:	**$**	**3,427,327**
10.950	AGRICULTURAL STATISTICS REPORTS	AGRICULTURE	$	22,754

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF COMMERCE				
11.407	INTERJURISDICTIONAL FISHERIES ACT OF 1986	NATURAL RESOURCES	$	12,531
11.413	FISHERY PRODUCTS INSPECTION AND CERTIFICATION	AGRICULTURE	$	20,657
11.419	COASTAL ZONE MANAGEMENT ADMINISTRATION AWARDS	NATURAL RESOURCES	$	1,062,595
11.468	APPLIED METEOROLOGICAL RESEARCH	PUBLIC SAFETY	$	694,418
11.555	PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT	EMERGENCY MEDICAL SERVICES	$	14,894
11.555	PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT	PUBLIC SAFETY	$	5,601,677
		Program 11.555 Total:	**$**	**5,616,571**
U.S. DEPARTMENT OF DEFENSE				
12.104	FLOOD PLAIN MANAGEMENT SERVICES	MMB NON-OPERATING	$	8,400
12.113	REIMBURSEMENT OF TECHNICAL SERVICES	POLLUTION CONTROL AGENCY	$	332,542
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	STATE COLLEGES & UNIVERSITIES	$	1,392
12.404	NATIONAL GUARD CHALLENGE PROGRAM	MILITARY AFFAIRS	$	766,000
12.630	BASIC, APPLIED, AND ADV RES IN SCIENCE AND ENGINEERING	STATE COLLEGES & UNIVERSITIES	$	70,770
12.800	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM	STATE COLLEGES & UNIVERSITIES	$	2,030
12.902	INFORMATION SECURITY GRANT	STATE COLLEGES & UNIVERSITIES	$	91,826
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
CDBG - State-Administered Small Cities Program Cluster				
14.228	CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	$	18,126,649
14.255	ARRA-CDBG/STATE'S PROGRAM AND NON-ENTITLEMT GRANTS	EMPLOYMENT & ECONOMIC	$	2,047,600
		CDBG - State-Administered Small Cities Program Cluster Total:	**$**	**20,174,249**
14.231	EMERGENCY SHELTER GRANTS PROGRAM	HUMAN SERVICES	$	1,237,484
14.246	COMMUNITY DEVELOPMENT BLOCK GRANT	STATE COLLEGES & UNIVERSITIES	$	90,680

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT (Continued)				
14.257	ARRA-HOMELESSNESS PREVENT AND RAPID REHOUSING	HUMAN SERVICES	$	3,907,582
14.900	LEAD-BASED PAINT HAZARD CNTRL PRIVATELY-OWNED HOUSING	HEALTH	$	460,995
U.S. DEPARTMENT OF INTERIOR				
Fish and Wildlife Cluster				
15.605	SPORT FISH RESTORATION PROGRAM	NATURAL RESOURCES	$	13,732,448
15.611	WILDLIFE RESTORATION	NATURAL RESOURCES	$	11,013,802
		Fish and Wildlife Cluster Total:	**$**	**24,746,250**
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	NATURAL RESOURCES	$	180,936
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	NATURAL RESOURCES	$	108,695
15.616	CLEAN VESSEL ACT	NATURAL RESOURCES	$	2,226
15.622	SPORTFISHING AND BOATING SAFETY ACT	NATURAL RESOURCES	$	4,271
15.623	NORTH AMERICAN WETLANDS CONSERVATION FUND	NATURAL RESOURCES	$	974,153
15.626	FIREARM AND BOW HUNTER EDUCATION AND SAFETY PROGRAM	NATURAL RESOURCES	$	197,139
15.633	LANDOWNER INCENTIVE	NATURAL RESOURCES	$	263,894
15.634	STATE WILDLIFE GRANTS	NATURAL RESOURCES	$	1,651,176
15.637	MIGRATORY BIRD JOINT VENTURES	NATURAL RESOURCES	$	35,975
15.808	US GEOLOGICAL SURVEY_RESEARCH AND DATA COLLECTION	ADMINISTRATION	$	73,720
15.809	NATIONAL SPATIAL DATA INFRASTRUCTURE COOP AGREEMENTS	ADMINISTRATION	$	39,437
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	NATURAL RESOURCES	$	414,838
15.978	UPPER MISSISSIPPI RIVER SYSTEM LT RESOURCE MONITORING	STATE COLLEGES & UNIVERSITIES	$	9,340
		Program 15.978 Total:	**$**	**424,178**
15.FEB	ENDANGERED SPECIES PLANTS (NON-TITLE IV) (9)	NATURAL RESOURCES	$	581
15.FFA	INTERIOR OF FISH & WILDLIFE SERVICE (9)	NATURAL RESOURCES	$	118,998
15.FFC	SCIENTIFIC & NATURAL AREAS (9)	NATURAL RESOURCES	$	2,832

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF INTERIOR (Continued)				
U.S. DEPARTMENT OF JUSTICE				
16.004	LAW ENFORCEMENT ASSIST. NARCOTICS, DANGEROUS DRUGS	PUBLIC SAFETY	$	149,784
16.202	PRISONER REENTRY INITIATIVE DEMO. (OFFENDER REENTRY)	CORRECTIONS	$	192,285
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	PUBLIC SAFETY	$	814,507
16.525	GRANTS TO REDUCE VIOLENCE ON CAMPUS	STATE COLLEGES & UNIVERSITIES	$	91,118
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC DEFENSE BOARD	$	228,444
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION	PUBLIC SAFETY	$	847,248
		Program 16.540 Total:	**$**	**1,075,692**
16.541	PART E - DEVELOPING, TESTING, DEMO PROMISING NEW PROG	STATE COLLEGES & UNIVERSITIES	$	632,725
16.548	TITLE V_DELINQUENCY PREVENTION PROGRAM	PUBLIC SAFETY	$	22,138
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS	PUBLIC SAFETY	$	50,000
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	PUBLIC SAFETY	$	136,656
16.560	NAT'L INSTITUTE OF JUSTICE RESEARCH, EVALUATION, AND DEV	PUBLIC SAFETY	$	117,719
16.575	CRIME VICTIM ASSISTANCE	PUBLIC SAFETY	$	8,756,533
16.576	CRIME VICTIM COMPENSATION	PUBLIC SAFETY	$	356,771
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	PHARMACY BOARD	$	224,331
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	PUBLIC SAFETY	$	74,316
16.580	EDWARD BYRNE MEMORIAL ST AND LOCAL LAW ENFORCEMENT	STATE COLLEGES & UNIVERSITIES	$	6,422
		Program 16.580 Total:	**$**	**305,069**
16.585	DRUG COURT DISCRETIONARY GRANT PROGRAM	TRIAL COURTS	$	438,697
16.588	ARRA-VIOLENCE AGAINST WOMEN	PUBLIC SAFETY	$	1,018,611
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	PUBLIC SAFETY	$	2,163,841
		Program 16.588 Total:	**$**	**3,182,452**
16.590	COMMUNITY-DEFINED SOLUTION TO VIOLENCE AGAINST WOMEN	PUBLIC SAFETY	$	442,109
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT STATE PRISONERS	PUBLIC SAFETY	$	85,383

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)				
16.606	STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	CORRECTIONS	$	27,852
16.607	BULLETPROOF VEST PARTNERSHIP	CORRECTIONS	$	9,477
16.607	BULLETPROOF VEST PARTNERSHIP	PUBLIC SAFETY	$	31,211
		Program 16.607 Total:	**$**	**40,688**
16.609	PROJECT SAFE NEIGHBORHOODS	PUBLIC SAFETY	$	292,486
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	PUBLIC SAFETY	$	364,041
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	PUBLIC SAFETY	$	489,994
16.735	PROTECTING INMATES AND SAFEGUARDING COMMUNITIES	CORRECTIONS	$	10,403
16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT	PUBLIC SAFETY	$	4,664,046
16.740	STATEWIDE AUTOMATED VICTIM INFORMATION NOTIFICATION	PUBLIC SAFETY	$	157,222
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC DEFENSE BOARD	$	60,711
16.741	FORENSIC DNA BACKLOG REDUCTION PROGRAM	PUBLIC SAFETY	$	903,798
		Program 16.741 Total:	**$**	**964,509**
16.742	PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT	PUBLIC SAFETY	$	238,176
16.744	ANTI-GANG INITIATIVE	PUBLIC SAFETY	$	192,198
16.753	CONGRESSIONALLY RECOMMENDED AWARDS	PUBLIC SAFETY	$	120,708
16.801	ARRA - STATE VICTIM ASSISTANCE	PUBLIC SAFETY	$	662,723
16.802	ARRA - STATE VICTIM COMPENSATION	PUBLIC SAFETY	$	362,242
16.803	ARRA-EWARD BYRNE MEMORIAL JUSTICE	PUBLIC SAFETY	$	4,739,369
U.S. DEPARTMENT OF LABOR				
Employment Service Cluster				
17.207	EMPLOYMENT SERVICE/WAGNER-PEYSER FUNDED ACTIVITIES	EMPLOYMENT & ECONOMIC	$	17,747,476
17.207	ARRA-EMPLOYMENT SERVICE/WAGNER-PEYSER ACTIVITIES	EMPLOYMENT & ECONOMIC	$	5,014,559
17.801	DISABLED VETERANS' OUTREACH PROGRAM (DVOP)	EMPLOYMENT & ECONOMIC	$	1,557,163
17.804	LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE PROGRAM	EMPLOYMENT & ECONOMIC	$	1,027,023

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)				
		Employment Service Cluster Total:	**$**	**25,346,221**
17.002	LABOR FORCE STATISTICS	EMPLOYMENT & ECONOMIC	$	1,758,503
17.002	LABOR FORCE STATISTICS	STATE COLLEGES & UNIVERSITIES	$	78,980
		Program 17.002 Total:	**$**	**1,837,483**
17.005	COMPENSATION AND WORKING CONDITIONS	LABOR AND INDUSTRY	$	108,419
17.235	ARRA-SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	$	427,804
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	EMPLOYMENT & ECONOMIC	$	2,539,992
		Program 17.235 Total:	**$**	**2,967,796**
17.245	TRADE ADJUSTMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	$	11,195,070
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	EMPLOYMENT & ECONOMIC	$	113,410
17.261	WIA PILOTS, DEMONSTRATIONS, AND RESEARCH PROJECTS	STATE COLLEGES & UNIVERSITIES	$	49,019
		Program 17.261 Total:	**$**	**162,429**
17.266	WORK INCENTIVE GRANTS	EMPLOYMENT & ECONOMIC	$	315,198
17.267	INCENTIVE GRANTS - WIA SECTION 503	EMPLOYMENT & ECONOMIC	$	296,529
17.268	H-1B JOB TRAINING GRANTS	EMPLOYMENT & ECONOMIC	$	4,678,652
17.268	H-1B JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	$	885,763
		Program 17.268 Total:	**$**	**5,564,415**
17.269	COMMUNITY BASED JOB TRAINING GRANTS	STATE COLLEGES & UNIVERSITIES	$	3,066,297
17.270	REINTEGRATION OF EX-OFFENDERS	CORRECTIONS	$	65,576
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	EMPLOYMENT & ECONOMIC	$	333,204
17.273	TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	EMPLOYMENT & ECONOMIC	$	60,699
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	EMPLOYMENT & ECONOMIC	$	149,662
17.275	ARRA-WORKER TRAINING IN EMERGING INDUSTRY SECTORS	STATE COLLEGES & UNIVERSITIES	$	112,897
		Program 17.275 Total:	**$**	**262,559**
17.502	OCCUPATIONAL SAFETY AND HEALTH_SUSAN HARWOOD TRNG	STATE COLLEGES & UNIVERSITIES	$	102,930

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF LABOR (Continued)				
17.503	ARRA-OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	LABOR AND INDUSTRY	$	23,382
17.503	OCCUPATIONAL SAFETY AND HEALTH_STATE PROGRAM	LABOR AND INDUSTRY	$	4,039,787
		Program 17.503 Total:	**$**	**4,063,169**
17.504	CONSULTATION AGREEMENTS	LABOR AND INDUSTRY	$	966,561
17.505	OSHA DATA INITIATIVE	LABOR AND INDUSTRY	$	34,100
17.600	MINE HEALTH AND SAFETY GRANTS	STATE COLLEGES & UNIVERSITIES	$	248,080
U.S. DEPARTMENT OF STATE				
19.009	ACADEMIC EXCHANGE PROGRAMS	STATE COLLEGES & UNIVERSITIES	$	92,390
19.300	STUDY OF EASTERN EUROPE & THE FORMER SOVIET UNION	STATE COLLEGES & UNIVERSITIES	$	52,031
U.S. DEPARTMENT OF TRANSPORTATION				
Transit Services Programs Cluster				
20.513	CAPITAL ASSISTANCE PROGRAM FOR ELDERLY PERSONS	TRANSPORTATION	$	811,042
20.516	JOB ACCESS_REVERSE COMMUTE	TRANSPORTATION	$	1,108,671
20.521	NEW FREEDOM PROGRAM	TRANSPORTATION	$	401,614
		Transit Services Programs Cluster Total:	**$**	**2,321,327**
Highway Safety Cluster				
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	PUBLIC SAFETY	$	9,108,014
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	TRANSPORTATION	$	4,240,038
20.601	ALCOHOL IMPAIRED DRIVING COUNTERMEASURES INCENTIVE	PUBLIC SAFETY	$	1,905,213
20.609	SAFETY BELT PERFORMANCE GRANTS	PUBLIC SAFETY	$	1,140,245
20.609	SAFETY BELT PERFORMANCE GRANTS	TRANSPORTATION	$	4,825,255
20.610	STATE TRAFFIC SAFETY INFORMATION SYSTEM IMPROVEMENT	PUBLIC SAFETY	$	294,525
20.611	PROGRAM TO PROHIBIT RACIAL PROFILING	PUBLIC SAFETY	$	4,308
20.612	INCENTIVE GRANT PROGRAM TO INCREASE MOTORCYCLIST SAFETY	PUBLIC SAFETY	$	152,789

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (Continued)				
20.613	CHILD SAFETY AND CHILD BOOSTER SEATS INCENTIVE	PUBLIC SAFETY	$	92,063
		Highway Safety Cluster Total:	**$**	**21,762,450**
20.200	HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	TRANSPORTATION	$	18,999,939
20.218	NATIONAL MOTOR CARRIER SAFETY	PUBLIC SAFETY	$	4,717,198
20.218	NATIONAL MOTOR CARRIER SAFETY	TRANSPORTATION	$	977,328
		Program 20.218 Total:	**$**	**5,694,526**
20.231	PERFORMANCE AND REGISTRATION INFO SYSTEMS MGMT	PUBLIC SAFETY	$	28,000
20.232	COMMERCIAL DRIVER'S LICENSE PROG IMPROVEMT	PUBLIC SAFETY	$	756,071
20.233	BORDER ENFORCEMENT GRANTS	PUBLIC SAFETY	$	197,972
20.240	FUEL TAX EVASION-INTERGOVT. ENFCMT	PUBLIC SAFETY	$	70,770
20.317	INTERCITY PASSENGER RAIL SERVICE	TRANSPORTATION	$	311,511
20.505	METROPOLITAN TRANSPORTATION PLANNING	TRANSPORTATION	$	5,057,427
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	TRANSPORTATION	$	14,278,550
20.509	ARRA-OTHER THAN URBANIZED AREAS	TRANSPORTATION	$	7,092,060
		Program 20.509 Total:	**$**	**21,370,610**
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS	PUBLIC SAFETY	$	5,771,251
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	HEALTH	$	39,917
20.614	NHTSA DISCRETIONARY SAFETY GRANTS	PUBLIC SAFETY	$	66,878
		Program 20.614 Total:	**$**	**106,795**
20.700	PIPELINE SAFETY PROGRAM BASE GRANTS	PUBLIC SAFETY	$	622,849
20.703	INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING	PUBLIC SAFETY	$	355,765
20.720	STATE DAMAGE PREVENTION PROGRAM GRANTS	PUBLIC SAFETY	$	113,867
20.721	PHMSA PIPELINE SAFETY PROGRAM	PUBLIC SAFETY	$	36,698

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. GENERAL SERVICES ADMINISTRATION				
39.011	ELECTION REFORM PAYMENTS	SECRETARY OF STATE	$	1,929,940
U.S. NATIONAL AERONAUTICS & SPACE ADMINISTRATION				
43.001	AEROSPACE EDUCATION SERVICES PROGRAM	STATE COLLEGES & UNIVERSITIES	$	19,983
43.011	DISCRETIONARY GRANTS	STATE COLLEGES & UNIVERSITIES	$	3,760
U.S. NATIONAL FOUNDATION ARTS & HUMANITIES				
45.024	PROMOTION OF THE ARTS_GRANTS TO ORGS AND INDIVIDUALS	ARTS BOARD	$	9,251
45.024	PROMOTION OF THE ARTS_GRANTS TO ORGS AND INDIVIDUALS	CENTER FOR ARTS EDUCATION	$	12,023
		Program 45.024 Total:	**$**	**21,274**
45.025	PROMOTION OF THE ARTS_PARTNERSHIP AGREEMENTS	ARTS BOARD	$	602,846
45.025	ARRA-PROMOTIN OF THE ARTS PARTNERSHIP	ARTS BOARD	$	316,200
		Program 45.025 Total:	**$**	**919,046**
45.164	PROMOTION OF THE HUMANITIES_PUBLIC PROGRAMS	STATE COLLEGES & UNIVERSITIES	$	3,442
45.169	PROMOTION OF THE HUMANITIES, OFC OF DIGITAL HUMANITIES	STATE COLLEGES & UNIVERSITIES	$	14,912
45.310	GRANTS TO STATES	EDUCATION	$	2,890,955
45.310	GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	$	858
		Program 45.310 Total:	**$**	**2,891,813**
U.S. NATIONAL SCIENCE FOUNDATION				
47.041	ENGINEERING GRANTS	STATE COLLEGES & UNIVERSITIES	$	78,915
47.049	MATHEMATICAL AND PHYSICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	$	43,141
47.050	GEOSCIENCES	STATE COLLEGES & UNIVERSITIES	$	103,125
47.074	BIOLOGICAL SCIENCES	STATE COLLEGES & UNIVERSITIES	$	294,934
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	STATE COLLEGES & UNIVERSITIES	$	9,397

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. NATIONAL SCIENCE FOUNDATION (Continued)				
47.076	EDUCATION AND HUMAN RESOURCES	NATURAL RESOURCES	$	39,800
47.076	EDUCATION AND HUMAN RESOURCES	STATE COLLEGES & UNIVERSITIES	$	2,353,938
		Program 47.076 Total:	**$**	**2,393,738**
47.082	ARRA-TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	STATE COLLEGES & UNIVERSITIES	$	405,151
U.S. SMALL BUSINESS ADMINISTRATION				
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	EMPLOYMENT & ECONOMIC	$	1,864,769
U.S. DEPARTMENT OF VETERANS AFFAIRS				
64.005	ARRA-CONSTRUCTION OF STATE HOME FACILITIES	VETERANS AFFAIRS	$	1,830,328
64.005	STATE HOME FACILITIES CONSTRUCTION	VETERANS AFFAIRS	$	5,096,855
		Program 64.005 Total:	**$**	**6,927,183**
64.116	VOCATIONAL REHABILITATION FOR DISABLED VETERANS	STATE COLLEGES & UNIVERSITIES	$	484,891
64.124	ALL-VOLUNTEER FORCE EDUCATION ASSISTANCE	LABOR AND INDUSTRY	$	10,882
U.S. ENVIRONMENTAL PROTECTION AGENCY				
66.032	STATE INDOOR RADON GRANTS	HEALTH	$	302,677
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	HEALTH	$	1,967
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS CLEAN AIR ACT	POLLUTION CONTROL AGENCY	$	366,976
		Program 66.034 Total:	**$**	**368,943**
66.040	ARRA-STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	$	689,848
66.040	STATE CLEAN DIESEL GRANT PROGRAM	POLLUTION CONTROL AGENCY	$	281,039
		Program 66.040 Total:	**$**	**970,887**
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	HEALTH	$	114,435
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL	POLLUTION CONTROL AGENCY	$	56,314
		Program 66.419 Total:	**$**	**170,749**
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	HEALTH	$	2,278,890

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)				
66.454	WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	$	307,694
66.454	ARRA-WATER QUALITY MANAGEMENT PLANNING	POLLUTION CONTROL AGENCY	$	160,777
		Program 66.454 Total:	**$**	**468,471**
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	POLLUTION CONTROL AGENCY	$	3,688,336
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLV.	HEALTH	$	3,228,388
66.469	GREAT LAKES PROGRAM	HEALTH	$	22,811
66.469	GREAT LAKES PROGRAM	POLLUTION CONTROL AGENCY	$	233,982
66.469	GREAT LAKES PROGRAM	STATE COLLEGES & UNIVERSITIES	$	49,268
		Program 66.469 Total:	**$**	**306,061**
66.472	BEACH MONITORING AND NOTIFICATION PROGRAM GRANTS	POLLUTION CONTROL AGENCY	$	97,029
66.474	WATER PROTECTION GRANTS TO THE STATES	HEALTH	$	147,245
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL PROGRAM	NATURAL RESOURCES	$	120,757
66.479	WETLAND PROGRAM GRANTS - STATE/TRIBAL PROGRAM	POLLUTION CONTROL AGENCY	$	115,348
		Program 66.479 Total:	**$**	**236,105**
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	HEALTH	$	74,927
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM	STATE COLLEGES & UNIVERSITIES	$	4,553
		Program 66.509 Total:	**$**	**79,480**
66.511	OFFICE OF RESEARCH AND DEVELOPMENT CONSOLIDATED	NATURAL RESOURCES	$	36,032
66.513	GREATER RESEARCH OPPORTUNITES FOR ENVIRON STUDY	STATE COLLEGES & UNIVERSITIES	$	9,250
66.605	PERFORMANCE PARTNERSHIP GRANTS	AGRICULTURE	$	630,063
66.605	PERFORMANCE PARTNERSHIP GRANTS	POLLUTION CONTROL AGENCY	$	11,671,018
		Program 66.605 Total:	**$**	**12,301,081**
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT	ADMINISTRATION	$	97,790
66.700	CONSOLIDATED PESTICIDE ENFORCEMENT COOP AGREEMENTS	NATURAL RESOURCES	$	20,701
66.707	TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION	HEALTH	$	304,194
66.709	MULTI-MEDIA CAPACITY BUILDING GRANTS FOR STATES	POLLUTION CONTROL AGENCY	$	14,335
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE	POLLUTION CONTROL AGENCY	$	333,297

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY (Continued)				
66.804	UNDERGROUND STORAGE TANK PREVENTION, DETECTION	POLLUTION CONTROL AGENCY	$	765,347
66.805	ARRA-LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	$	1,492,060
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND	POLLUTION CONTROL AGENCY	$	1,597,516
		Program 66.805 Total:	**$**	**3,089,576**
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM	POLLUTION CONTROL AGENCY	$	190,949
66.817	STATE AND TRIBAL RESPONSE PROGRAM GRANTS	POLLUTION CONTROL AGENCY	$	674,122
66.818	BROWNFIELDS ASSESSMENT AND CLEANUP COOP AGREEMENTS	EMPLOYMENT & ECONOMIC	$	34,601
U.S. DEPARTMENT OF ENERGY				
81.041	ARRA-STATE ENERGY PROGRAM	COMMERCE	$	8,600,968
81.041	STATE ENERGY PROGRAM	COMMERCE	$	427,929
81.041	STATE ENERGY PROGRAM	STATE COLLEGES & UNIVERSITIES	$	16,028
		Program 81.041 Total:	**$**	**9,044,925**
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	$	133,446
81.087	RENEWABLE ENERGY RESEARCH AND DEVELOPMENT	STATE COLLEGES & UNIVERSITIES	$	207,835
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY	COMMERCE	$	4,118
81.119	ARRA-STATE ENERGY PROGRAM SPECIAL PROJECT	COMMERCE	$	71,959
81.122	ARRA-ELECTRICITY DELIVERY AND ENERGY RELIABILITY	COMMERCE	$	1,874
81.122	ARRA-ELECTRICITY DELIVERY AND ENERGY RELIABILITY	PUBLIC UTILITIES COMM	$	54,592
		Program 81.122 Total:	**$**	**56,466**
81.127	ARRA-ENERGY EFFICIENT APPLIANCE REBATE	COMMERCE	$	3,828,987
81.128	ARRA-ENERGY EFFICIENCY AND CONSERVATION	COMMERCE	$	131,880
81.502	MISCELLANEOUS FEDERAL GRANTS	STATE COLLEGES & UNIVERSITIES	$	53,702
U.S. DEPARTMENT OF EDUCATION				
TRIO Cluster				
84.042	TRIO_STUDENT SUPPORT SERVICES	STATE COLLEGES & UNIVERSITIES	$	6,618,664

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
84.044	TRIO_TALENT SEARCH	STATE COLLEGES & UNIVERSITIES	$	1,406,297
84.047	TRIO_UPWARD BOUND	STATE COLLEGES & UNIVERSITIES	$	6,262,131
84.066	TRIO_EDUCATIONAL OPPORTUNITY CENTERS	STATE COLLEGES & UNIVERSITIES	$	794,267
84.217	TRIO_MCNAIR POST-BACCALAUREATE ACHIEVEMENT	STATE COLLEGES & UNIVERSITIES	$	217,365
		TRIO Cluster Total:	**$**	**15,298,724**
Teacher Quality Partnership Grants Cluster				
84.336	TEACHER QUALITY PARTNERSHIP GRANTS	EDUCATION	$	1,450
84.336	TEACHER QUALITY PARTNERSHIP GRANTS	STATE COLLEGES & UNIVERSITIES	$	581,173
		Teacher Quality Partnership Grants Cluster Total:	**$**	**582,623**
Statewide Data Systems Cluster				
84.372	STATEWIDE DATA SYSTEMS	EDUCATION	$	8,102
		Statewide Data Systems Cluster Total:	**$**	**8,102**
School Improvement Grants Cluster				
84.377	SCHOOL IMPROVEMENT GRANTS	EDUCATION	$	3,582,389
84.388	ARRA-SCHOOL IMPROVEMENT GRANTS, RECOVERY ACT	EDUCATION	$	97,504
		School Improvement Grants Cluster Total:	**$**	**3,679,893**
Independent Living State Grants Cluster				
84.169	INDEPENDENT LIVING_STATE GRANTS	EMPLOYMENT & ECONOMIC	$	2,124,339
84.398	ARRA-INDEPENDENT LIVING STATE GRANTS	EMPLOYMENT & ECONOMIC	$	30,109
		Independent Living State Grants Cluster Total:	**$**	**2,154,448**
Indep Living Services for Older Indiv Who Are Blind Cluster				
84.177	REHABILITATION SERVICES_IND LIVING SVS OLDER INDIVIDUALS	EMPLOYMENT & ECONOMIC	$	539,821
84.399	ARRA-SSB OLDER BLIND	EMPLOYMENT & ECONOMIC	$	286,735
		Indep Living Services for Older Indiv Who Are Blind Cluster Total:	**$**	**826,556**

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STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
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CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
Educational Technology State Grants Cluster				
84.318	EDUCATION TECHNOLOGY STATE GRANTS	EDUCATION	$	2,984,799
84.386	ARRA-EDUC TECHNOLOGY STATE GRANTS	EDUCATION	$	2,276,802
		Educational Technology State Grants Cluster Total:	**$**	**5,261,601**
Education of Homeless Children and Youth Cluster				
84.196	EDUCATION FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	$	618,923
84.387	ARRA-EDUC FOR HOMELESS CHILDREN AND YOUTH	EDUCATION	$	428,396
		Education of Homeless Children and Youth Cluster Total:	**$**	**1,047,319**
Early Intervention Services (IDEA) Cluster				
84.181	SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES	EDUCATION	$	9,757,977
84.393	ARRA-SPECIAL ED - GRANTS FOR INFANTS AND FAMILIES	EDUCATION	$	7,856,561
		Early Intervention Services (IDEA) Cluster Total:	**$**	**17,614,538**
Centers for Independent Living Cluster				
84.132	CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	$	979,147
84.400	ARRA-CENTERS FOR INDEPENDENT LIVING	EMPLOYMENT & ECONOMIC	$	216,468
		Centers for Independent Living Cluster Total:	**$**	**1,195,615**
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	EDUCATION	$	6,632,001
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	$	360
		Program 84.002 Total:	**$**	**6,632,361**
84.011	MIGRANT EDUCATION_STATE GRANT PROGRAM	EDUCATION	$	1,626,624
84.013	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	EDUCATION	$	225,000
84.031	HIGHER EDUCATION_INSTITUTIONAL AID	STATE COLLEGES & UNIVERSITIES	$	591,892
84.048	CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	STATE COLLEGES & UNIVERSITIES	$	16,967,314
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	STATE COLLEGES & UNIVERSITIES	$	976,300
84.144	MIGRANT EDUCATION_COORDINATION PROGRAM	EDUCATION	$	38,163

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NAT'L	EDUCATION	$	2,072
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NAT'L	STATE COLLEGES & UNIVERSITIES	$	143,949
		Program 84.184 Total:	**$**	**146,021**
84.185	BYRD HONORS SCHOLARSHIPS	EDUCATION	$	701,500
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-STATE	EDUCATION	$	4,785,801
84.187	SUPPORTED EMPLOYMENT SERVICES	EMPLOYMENT & ECONOMIC	$	426,266
84.213	EVEN START_STATE EDUCATIONAL AGENCIES	EDUCATION	$	624,546
84.224	ASSISTIVE TECHNOLOGY	ADMINISTRATION	$	489,173
84.243	TECH-PREP EDUCATION	STATE COLLEGES & UNIVERSITIES	$	2,036
84.265	REHABILITATION TRAINING-STATE VOC REHAB	EMPLOYMENT & ECONOMIC	$	133,115
84.282	CHARTER SCHOOLS	EDUCATION	$	9,237,503
84.283	COMPREHENSIVE CENTERS	STATE COLLEGES & UNIVERSITIES	$	5,162
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	EDUCATION	$	10,497,157
84.298	STATE GRANTS FOR INNOVATIVE PROGRAMS	EDUCATION	$	636,452
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	EDUCATION	$	771,236
84.324	RESEARCH IN SPECIAL EDUCATION	STATE COLLEGES & UNIVERSITIES	$	920,888
84.325	SPECIAL ED - PERSONNEL DEVELOP. FOR DISABLED CHILDREN	STATE COLLEGES & UNIVERSITIES	$	400
84.326	SPEC EDUC_TO IMPROVE SERVICES FOR DISABLED CHILDREN	EDUCATION	$	400,564
84.330	ADVANCED PLACEMENT INCENTIVE PROGRAM	EDUCATION	$	443,047
84.331	GRANTS TO STATES FOR WORKPLACE AND COMM TRANSITION	CORRECTIONS	$	149,207
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	STATE COLLEGES & UNIVERSITIES	$	289,162
84.350	TRANSITION TO TEACHING	STATE COLLEGES & UNIVERSITIES	$	66,000
84.351	ARTS IN EDUCATION	CENTER FOR ARTS EDUCATION	$	45,771
84.357	READING FIRST STATE GRANTS	EDUCATION	$	2,889,478

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)				
84.358	RURAL EDUCATION	EDUCATION	$	178,020
84.360	HIGH SCHOOL GRADUATION INITIATIVE	EDUCATION	$	219,657
84.361	VOLUNTARY PUBLIC SCHOOL CHOICE	EDUCATION	$	339,263
84.365	ENGLISH LANGUAGE ACQUISITION GRANTS	EDUCATION	$	10,529,011
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	EDUCATION	$	2,616,862
84.368	GRANTS FOR ENHANCED ASSESSMENT INSTRUMENTS	EDUCATION	$	801,081
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	EDUCATION	$	5,656,839
84.373	SPECIAL EDUCATION_TECHNICAL ASSIST ON DATA COLLECTION	EDUCATION	$	310,528
U.S. ELECTION ASSISTANCE COMMISSION				
90.400	HELP AMERICA VOTE COLLEGE PROGRAM	SECRETARY OF STATE	$	83,465
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Head Start Cluster				
93.600	HEAD START	EDUCATION	$	111,179
		Head Start Cluster Total:	**$**	**111,179**
Community Services Block Grant (CSBG) Cluster				
93.569	COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	$	7,470,360
93.710	ARRA-COMMUNITY SERVICES BLOCK GRANT	HUMAN SERVICES	$	8,917,233
		Community Services Block Grant (CSBG) Cluster Total:	**$**	**16,387,593**
Aging Cluster				
93.044	SPEC PROG FOR THE AGING_TITLE III, PART B_GRANTS	HUMAN SERVICES	$	7,708,405
93.045	SPEC PROG FOR THE AGING_TITLE III, PART C_NUTRITION SERVICE	HUMAN SERVICES	$	7,157,939
93.053	NUTRITION SERVICES INCENTIVE PROGRAM	HUMAN SERVICES	$	2,097,169
93.705	ARRA-AGING HOME-DELIVERED NUTRITION SERVICES	HUMAN SERVICES	$	512,955

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.707	ARRA-AGING CONGREGATE NUTRITION SERVICES	HUMAN SERVICES	$	1,041,940
		Aging Cluster Total:	**$**	**18,518,408**
93.006	STATE AND TERRITORIAL AND TECHNICAL ASSISTANCE	HEALTH	$	185,849
93.041	SPEC PROG FOR THE AGING_TITLE VII, CHAP 3	HUMAN SERVICES	$	28,603
93.042	SPEC PROG FOR THE AGING_TITLE VII, CHAP 2_LONG TERM CARE	HUMAN SERVICES	$	324,226
93.043	SPEC PROG FOR THE AGING_TITLE III, PART D	HUMAN SERVICES	$	297,819
93.048	SPEC PROG FOR THE AGING_TITLE IV_AND TITLE II	HUMAN SERVICES	$	779,018
93.051	ALZHEIMER'S DISEASE DEMONSTRATION GRANTS TO STATES	HUMAN SERVICES	$	605,371
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	HUMAN SERVICES	$	2,143,244
93.070	ENVIRON. PUBLIC HEALTH & EMERG. RESPNSE	HEALTH	$	420,240
93.071	MEDICARE ENROLLMENT ASSISTANCE	HUMAN SERVICES	$	88,001
93.089	EMERG. SYS. FOR REGISTRATION OF HEALTH PROF.	HEALTH	$	27,821
93.103	FOOD AND DRUG ADMINISTRATION_RESEARCH	AGRICULTURE	$	617,510
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROG	HEALTH	$	241,015
93.116	PROJECT GRANTS AND COOP AGREEMENTS FOR TUBERCULOSIS	HEALTH	$	996,527
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	EMERGENCY MEDICAL SERVICES	$	127,688
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES	HEALTH	$	185,438
93.136	INJURY PREVENTION AND CONTROL RESEARCH	HEALTH	$	1,183,659
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS	HUMAN SERVICES	$	659,000
93.161	HEALTH PROGRAM FOR TOXIC SUBSTANCES AND DISEASE	HEALTH	$	42,868
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	HEALTH	$	100,000
93.197	CHILDHOOD LEAD POISONING PREVENTION	HEALTH	$	542,433
93.204	SURVEILLANCE OF HAZARDOUS SUBSTANCE EVENTS	HEALTH	$	19,828

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.234	TRAUMATIC BRAIN INJURY STATE DEMO GRANT	HUMAN SERVICES	$	61,465
93.236	GRANTS FOR DENTAL PUBLIC HEALTH RESIDENCY TRAINING	HEALTH	$	174,103
93.240	STATE CAPACITY BUILDING	HEALTH	$	396,704
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	HEALTH	$	652,569
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES	HUMAN SERVICES	$	988,505
93.251	UNIVERSAL NEWBORN HEARING SCREENING	HEALTH	$	219,610
93.256	STATE HEALTH ACCESS PROGRAM	HUMAN SERVICES	$	2,183,518
93.273	ALCOHOL RESEARCH PROGRAMS	STATE COLLEGES & UNIVERSITIES	$	6,055
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION_ASSISTANCE	HEALTH	$	17,585,553
93.286	DISCOVERY AND APPLIED RESEARCH FOR INNOVATIONS	STATE COLLEGES & UNIVERSITIES	$	69,544
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	HEALTH	$	755,841
93.358	ADVANCED NURSING EDUCATION TRAINEESHIPS	STATE COLLEGES & UNIVERSITIES	$	138,299
93.359	NURSE EDUCATION, PRACTICE AND RETENTION GRANTS	STATE COLLEGES & UNIVERSITIES	$	575,391
93.395	CANCER TREATMENT RESEARCH	HEALTH	$	83,215
93.395	CANCER TREATMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	$	163,703
		Program 93.395 Total:	**$**	**246,918**
93.402	ARRA-STATE LOAN REPYMT PROGRAM	HEALTH	$	148,000
93.414	ARRA-STATE PRIMARY CARE OFFICES	HEALTH	$	27,067
93.448	FOOD SAFETY AND SECURITY MONITORING PROJECT	AGRICULTURE	$	348,025
93.449	RUMINANT FEED BAN SUPPORT PROJECT	AGRICULTURE	$	237,167
93.550	TRANSITIONAL LIVING FOR HOMELESS YOUTH	HUMAN SERVICES	$	170,454
93.556	PROMOTING SAFE AND STABLE FAMILIES	HUMAN SERVICES	$	3,973,684
93.564	CHILD SUPPORT ENFORCEMENT RESEARCH	HUMAN SERVICES	$	46,804
93.566	REFUGEE AND ENTRANT ASSISTANCE_STATE PROGRAMS	HUMAN SERVICES	$	8,871,513

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HEALTH	$	189,552
93.576	REFUGEE AND ENTRANT ASSISTANCE_DISCRETIONARY GRANTS	HUMAN SERVICES	$	1,559,196
		Program 93.576 Total:	**$**	**1,748,748**
93.584	REFUGEE AND ENTRANT ASSISTANCE_TARGETED ASSISTANCE	HUMAN SERVICES	$	2,283,864
93.586	STATE COURT IMPROVEMENT PROGRAM	SUPREME COURT	$	698,588
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	HUMAN SERVICES	$	1,555,423
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	HUMAN SERVICES	$	163,113
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS	HUMAN SERVICES	$	655,750
93.603	ADOPTION INCENTIVE PAYMENTS	HUMAN SERVICES	$	370,763
93.617	VOTING ACCESS FOR INDIVIDUALS WITH DISABILITIES	SECRETARY OF STATE	$	330,325
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY	ADMINISTRATION	$	951,900
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	HUMAN SERVICES	$	297,360
93.645	CHILD WELFARE SERVICES_STATE GRANTS	HUMAN SERVICES	$	4,058,900
93.648	CHILD WELFARE RESEARCH TRAINING OR DEMONSTRATION	STATE COLLEGES & UNIVERSITIES	$	47,946
93.659	ARRA-ADOPTION ASSISTANCE	HUMAN SERVICES	$	2,050,496
93.659	ADOPTION ASSISTANCE	HUMAN SERVICES	$	23,500,214
		Program 93.659 Total:	**$**	**25,550,710**
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	HUMAN SERVICES	$	455,880
93.670	CHILD ABUSE AND NEGLECT DISCRETIONARY ACTIVITIES	HEALTH	$	180,225
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES	PUBLIC SAFETY	$	1,798,708
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	HUMAN SERVICES	$	1,827,937
93.701	ARRA-TRANS-NIH RECOVERY ACT RESEARCH SUPP	STATE COLLEGES & UNIVERSITIES	$	19,740
93.717	ARRA-PREVENTING HEALTHCARE ASSOC. INFECTIONS	HEALTH	$	118,471
93.719	ARRA-HEALTH INFORMATION TECHNOLOGY	HEALTH	$	77,731

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.723	ARRA-PREVENTION AND WELLNESS	HEALTH	$	69,353
93.724	ARRA-PREVENT. AND WELLNESS FUNDING OPPOR. ANNCEMT	HEALTH	$	33,569
93.725	ARRA-COMMUNITIES PUTTING PREVENTION TO WORK	HUMAN SERVICES	$	17,500
93.767	CHILDREN'S HEALTH INSURANCE PROGRAM	HUMAN SERVICES	$	21,159,024
93.768	MEDICAID INFRASTRUCTURE GRANTS	HUMAN SERVICES	$	6,200,180
93.769	DEMONSTRATION TO MAINTAIN INDEPENDENCE, EMPLOYMENT	HUMAN SERVICES	$	4,871,045
93.779	CENTERS FOR MEDICARE AND MEDICAID SERV (CMS) RESEARCH	HUMAN SERVICES	$	906,933
93.793	MEDICAID TRANSFORMATION GRANTS	HUMAN SERVICES	$	653,050
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING	STATE COLLEGES & UNIVERSITIES	$	13,476
93.865	CHILD HEALTH AND HUMAN DEVELOPMENT RESEARCH	STATE COLLEGES & UNIVERSITIES	$	18,932
93.888	SPECIALLY SELECTED HEALTH PROJECTS	STATE COLLEGES & UNIVERSITIES	$	47
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	EMERGENCY MEDICAL SERVICES	$	27,166
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	HEALTH	$	7,370,965
		Program 93.889 Total:	**$**	**7,398,131**
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES RURAL HEALTH	HEALTH	$	167,200
93.917	HIV CARE FORMULA GRANTS	HUMAN SERVICES	$	7,242,858
93.938	COOPERATIVE AGREEMENTS TO PREVENT HIV SPREAD	EDUCATION	$	684,076
93.940	HIV PREVENTION ACTIVITIES_HEALTH DEPARTMENT BASED	HEALTH	$	3,329,435
93.944	HIV/AIDS SURVEILLANCE	HEALTH	$	419,615
93.945	ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION	HEALTH	$	17,839
93.946	COOP AGREEMTS TO SUPPORT SAFE MOTHERHOOD	HEALTH	$	154,583
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	HUMAN SERVICES	$	5,800,772
93.959	BLOCK GRANTS - PREVENTION, TREATMENT OF SUBSTANCE ABUSE	HUMAN SERVICES	$	25,872,290
93.969	GERIATRIC EDUCATION CENTERS	STATE COLLEGES & UNIVERSITIES	$	13,346

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (Continued)				
93.977	PREVENTIVE HLTH SERVICES_SEXUALLY TRANSMITTED DISEASES	HEALTH	$	1,021,588
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	HEALTH	$	2,669,287
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT	HEALTH	$	9,278,586
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE				
94.004	LEARN AND SERVE AMERICA_SCHOOL AND COMMUNITY BASED	EDUCATION	$	195,174
94.005	LEARN AND SERVE AMERICA-HIGHER EDUCATION	STATE COLLEGES & UNIVERSITIES	$	2,540
94.006	AMERICORPS	STATE COLLEGES & UNIVERSITIES	$	14,350
94.006	ARRA-AMERICORPS	STATE COLLEGES & UNIVERSITIES	$	233,179
		Program 94.006 Total:	**$**	**247,529**
94.007	PROGRAM DEVELOPMENT AND INNOVATION GRANTS	STATE COLLEGES & UNIVERSITIES	$	355
U.S. SOCIAL SECURITY ADMINISTRATION				
Disability Insurance/SSI Cluster				
96.001	SOCIAL SECURITY_DISABILITY INSURANCE	EMPLOYMENT & ECONOMIC	$	25,877,271
		Disability Insurance/SSI Cluster Total:	**$**	**25,877,271**
U.S. DEPARTMENT OF HOMELAND SECURITY				
Homeland Security Cluster				
97.067	HOMELAND SECURITY GRANT PROGRAM	PUBLIC SAFETY	$	20,529,212
		Homeland Security Cluster Total:	**$**	**20,529,212**
Emergency Food and Shelter Program Cluster				
97.024	EMERGENCY FOOD AND SHELTER NATIONAL BOARD	STATE COLLEGES & UNIVERSITIES	$	6,483
97.114	ARRA-EMERGENCY FOOD AND SHELTER	HUMAN SERVICES	$	3,779
97.114	EMERGENCY FOOD AND SHELTER NATIONAL BOARD	STATE COLLEGES & UNIVERSITIES	$	4,500
		Emergency Food and Shelter Program Cluster Total:	**$**	**14,762**
97.001	PILOT DEMO-INTEROPERABLE EMERGENCY COMMUNICATIONS	PUBLIC SAFETY	$	157,276

The notes (referenced in parentheses) are an integral part of these statements.

STATE OF MINNESOTA
NONMAJOR FEDERAL PROGRAMS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Program Name	State Agency		Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)				
97.008	NON-PROFIT SECURITY PROGRAM	PUBLIC SAFETY	$	10,000
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	NATURAL RESOURCES	$	3,383,356
97.017	PRE-DISASTER MITIGATION COMPETITIVE	PUBLIC SAFETY	$	88,395
97.021	HAZARDOUS MATERIALS ASSISTANCE PROGRAM	STATE COLLEGES & UNIVERSITIES	$	2,680
97.023	COMMUNITY ASSISTANCE	NATURAL RESOURCES	$	112,254
97.029	FLOOD MITIGATION ASSISTANCE	PUBLIC SAFETY	$	9,490
97.034	DISASTER UNEMPLOYMENT ASSISTANCE	EMPLOYMENT & ECONOMIC	$	33,696
97.039	HAZARD MITIGATION GRANT	PUBLIC SAFETY	$	1,850,677
97.041	NATIONAL DAM SAFETY PROGRAM	NATURAL RESOURCES	$	61,009
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	PUBLIC SAFETY	$	5,871,020
97.043	STATE FIRE TRAINING SYSTEMS GRANTS	STATE COLLEGES & UNIVERSITIES	$	24,000
97.045	COOPERATING TECHNICAL PARTNERS	NATURAL RESOURCES	$	108,783
97.047	PRE-DISASTER MITIGATION	PUBLIC SAFETY	$	1,592,200
97.056	PORT SECURITY GRANT PROGRAM	NATURAL RESOURCES	$	311,250
97.056	PORT SECURITY GRANT PROGRAM	PUBLIC SAFETY	$	205,447
		Program 97.056 Total:	**$**	**516,697**
97.070	MAP MODERNIZATION MANAGEMENT SUPPORT	NATURAL RESOURCES	$	93,563
97.075	RAIL AND TRANSIT SECURITY GRANT PROGRAM	PUBLIC SAFETY	$	205,575
97.078	BUFFER ZONE PROTECTION PROGRAM (BZPP)	PUBLIC SAFETY	$	236,075
97.089	DRIVER'S LICENSE SECURITY GRANT	PUBLIC SAFETY	$	10,107
97.091	HOMELAND SECURITY BIOWATCH PROGRAM	POLLUTION CONTROL AGENCY	$	947,882
		Non Major Program Total:	**$**	**742,846,633**

The notes (referenced in parentheses) are an integral part of these statements.

MINNESOTA

Headwaters of the mighty Mississippi

Notes to the Schedule of Expenditures of Federal Awards

These notes provide disclosures relevant to the Schedule of Expenditures of Federal Awards presented on the preceding pages.

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The reporting policies for fiscal year 2010 conform to the Federal Single Audit Act of 1984 as amended in 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The required Schedule of Expenditures of Federal Awards is presented for the state's fiscal year ended June 30, 2010. The Schedule of Expenditures of Federal Awards is divided into two sections: major and nonmajor federal programs.

The auditor uses a risk-based approach as defined in OMB Circular A-133 to determine which federal programs are major programs. Programs expending $30 million or more in federal awards are Type A programs and are considered major programs. Type B programs are programs expending less than $30 million in federal awards. If the auditor assesses Type A programs as low-risk, the auditor may replace Type A programs by higher risk Type B programs as major programs.

For purposes of financial reporting, the Catalog of Federal Domestic Assistance (CFDA) number from the 2010 basic edition catalog identifies federal programs. The schedules are presented in numeric CFDA order within each federal agency.

Federal guidelines require separate identification of expenditures of federal awards under the American Recovery and Reinvestment Act (ARRA) on the Schedule of Expenditures of Federal Awards. The prefix "ARRA" was included in the name of the federal program to provide this identification.

Financial Reporting Entity of the State of Minnesota

The financial reporting entity for the state of Minnesota includes all state departments, agencies, institutions, and organizational units which are controlled by or dependent upon the Minnesota Legislature and/or its constitutional officers. The state, a primary government, has considered for inclusion all potential component units for which it may be financially accountable or other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the report to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be used in determining financial accountability. These criteria include the state's ability to appoint a voting majority of an organization's governing body and either the ability of the state to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the state.

The federal programs included in the schedule of expenditures of federal awards in this report are part of the state's primary government. The federal programs administered by discretely presented component units are not presented in this report, but in single audit reports issued by these entities.

Minnesota State Colleges and Universities (MnSCU), which is part of the primary government, consists of the following education institutions:

Alexandria Technical & Community College	Minnesota State University, Moorhead
Anoka Ramsey Community College	Minnesota West Community & Tech. College
Anoka Technical College	Normandale Community College
Bemidji State University	North Hennepin Community College
Central Lakes College	Northland Community & Technical College
Century College	Northwest Technical College
Dakota County Technical College	Pine Technical College
Fond du Lac Tribal & Community College	Rainy River Community College
Hennepin Technical College	Ridgewater College
Hibbing Community College	Riverland Community College
Inver Hills Community College	Rochester Community & Technical College
Itasca Community College	St. Cloud State University
Lake Superior College	St. Cloud Technical & Community College
Mesabi Range Community and Technical College	Saint Paul College
Metropolitan State University	South Central College
Minneapolis Community & Technical College	Southwest Minnesota State University
Minnesota State College – Southeast Technical	Vermilion Community College
Minnesota State Community & Technical College	Winona State University
Minnesota State University, Mankato	

Basis of Accounting

The state's Comprehensive Annual Financial Report and these supplemental schedules are presented in accordance with generally accepted accounting principles, following the accrual or modified accrual basis of accounting, as appropriate for the fund structure. Most federal activity is accounted for in the Federal Fund (a major governmental fund), but several other nonmajor special revenue funds (Trunk Highway, Municipal State-Aid Street, County State-Aid Highway, Natural Resources, Game and Fish, and Miscellaneous Special Revenue funds), major proprietary funds (Unemployment Insurance and State Colleges and Universities funds), and the General Fund (a major governmental fund), include federal activity. The Minnesota Accounting and Procurement System is the primary source of financial information. Some state agencies maintain additional manual records or separate cost accounting systems to provide additional information.

Classification of Statement Information

Expenditures are presented for all federal programs and include amounts subgranted to other state or local governmental units, nongovernmental organizations, or individuals. Subgrant expenditures are recognized by the primary state agency subgranting the funds, not by the state agency receiving a subgrant from the primary state agency, except for portions of Temporary Aid for Needy Families (TANF) (CFDA 93.558). TANF subgrants, which are transferred into the Social Services Block Grant (CFDA 93.667) and the Child Care Development Block Grant (CFDA 93.575), are included in those programs and not TANF.

Note 2 – Perkins and Nursing Student Loan Programs

Below is a summary of the loan activity for the Perkins Loans (CFDA 84.038) and Nursing Student Loans (NSL) (CFDA 93.364) programs during fiscal year 2010. These programs are administered by Minnesota State Colleges and Universities (MnSCU).

	Perkins	NSL
Loans Receivable, Beginning	$ 34,444,515	$ 10,508
Loan Repayments	(3,571,678)	(1,357)
Loan Cancellations	(641,090)	-
New Loans Issued	3,254,103	-
Loans Receivable, Ending	$ 33,485,850	$ 9,151
Allowance for doubtful	(2,528,367)	-
Total Loans Receivable	$ 30,957,483	$ 9,151

Note 3 – Federal Family Education Loan Programs

MnSCU financial records provide information on various federal higher education student loan programs for which the state does not manage the federal funds.

Under the Federal Family Education Loans (FFEL) program (CFDA 84.032), financial institutions make loans to students attending institutions of higher education. The Federal Direct Student Loan (FDSL) program (CFDA 84.268) operates similarly to the FFEL program except that the federal government, rather than a private lender, provides the loan principal to the student. MnSCU distributed the following FFEL and FDSL loans to students attending state colleges or universities during fiscal year 2010.

Federal Family Education Loans Issued:	
Federal Subsidized Stafford	$ 215,875,365
Federal Unsubsidized Stafford	242,295,766
Federal Parent Loans for Undergraduate Students	40,763
Total Federal Family Education Loans	$ 458,211,894
Federal Direct Student Loans	$ 192,552,846

Note 4 – Rebates

The Supplemental Food Program for Women, Infants, and Children (WIC) Program (CFDA 10.557), administered through the Minnesota Department of Health, receives cash rebates from infant formula manufacturers. The rebates are used to offset program costs and are reported as expenditure reductions. During fiscal year 2010, the state of Minnesota recognized a total rebate of $26,346,024 on sales of formula to participants in the WIC program.

The Medical Assistance Program (CFDA 93.778), administered through the Minnesota Department of Human Services, receives cash rebates from drug labelers on sales of drugs to participants in the Medical Assistance Program. During fiscal year 2010, the federal share of the rebate was $71,451,307.

Note 5 – Unemployment Insurance Program

For fiscal year 2010, expenditures for the Unemployment Insurance Program (CFDA 17.225) include federal and state unemployment insurance expenditures as well as federal administrative expenditures. As shown in the following table, some of these expenditures were funded by American Recovery and Reinvestment Act (ARRA) funds:

	Non-ARRA Funds	ARRA Funds	Total
State Unemployment Expenditures	$ 1,450,648,037	$ 82,507,920	$ 1,533,155,957
Federal Unemployment Expenditures	692,831,117	810,495,816	1,503,326,933
Federal Administrative Expenditures	49,947,202	4,213,095	54,160,297
Total Expenditures	$ 2,193,426,356	$ 897,216,831	$ 3,090,643,187

The Unemployment Insurance Program serves workers who are unemployed through no fault of their own and are seeking reemployment. To receive benefits, claimants must be able to work, available for work, and actively seeking work. For audits and reporting under OMB Circular A-133, the U.S. Department of Labor requires that both federal and state unemployment insurance funds be considered federal awards for determining Type A (major) federal programs and for reporting expenditures of federal awards.

Note 6 – Water Quality Capitalization Grants

Water quality capitalization grants (CFDA 66.458) are used by states to create revolving funds to provide financing for construction of wastewater treatment facilities and implementation of other water quality management activities. Loans are administered from these funds by the State departments of Employment and Economic Development, Agriculture, and Pollution Control. The state's loan programs are Tourism Septic Loan (TLP), Small Cities (SCDP), Agriculture Best Management Practices (AG BMP) and Clean Water Partnership (CWP). A summary of the loan activity for fiscal year 2010 is shown below.

	TLP	SCDP	AG BMP	CWP
Loans Receivable, Beginning	$ 69,561	$ 57,864	$ 44,614,934	$ 19,699,346
Loan Repayments	(15,195)	(57,864)	(5,200,712)	(2,684,049)
New Loans Issued	-	-	5,521,733	2,860,759
Interest Capitalized	-	-	-	107,561
Loan Adjustments	-	-	-	-
Loans Receivable, Ending	$ 54,366	$ -	$ 44,935,955	$ 19,983,617

Note 7 - Supplemental Nutrition Assistance Program (SNAP)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.38 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2010.

Note 8 – State Fiscal Stabilization Funds

The state received State Fiscal Stabilization Funds (SFSF) under the federal American Recovery and Reinvestment Act (ARRA). This one-time program has two components: the Education Stabilization Fund (CFDA 84.394) and the Government Services Fund (CFDA 84.397). Under the SFSF program, the U.S. Department of Education made awards directly to governors. The Governor of Minnesota then entered into interagency agreements with the following agencies, which spent the funds for program purposes:

CFDA 84.394 Education Stabilization Fund	
University of Minnesota	$ 41,074,741
Department of Education	500,000,000
Minnesota State Colleges and Universities	37,132,890
Total for CFDA 84.394	$ 578,207,631
CFDA 84.397 Government Services Fund	
Department of Corrections	$ 38,000,000
Department of Human Services	110,010,250
Total for CFDA 84.397	$ 148,010,250
State Fiscal Stabilization Fund Cluster Total	$ 726,217,881

Note 9 – CFDA Numbers

For certain programs, the correct CFDA number could not be determined. At times, state agencies receive federal grant funds from a federal agency with a program number instead of a CFDA number. When possible, a CFDA number was obtained for the program. Certain CFDA numbers reported are for programs no longer in operation. These programs had funds carried over from previous years. In other cases, an inexact number was assigned and the state agency was asked to work with the federal granting agency to obtain a valid CFDA number for the grant program.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2010

Section I:

Summary of Auditor's Results

Financial Statements

Type of independent auditor's report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness identified?	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Schedule of Expenditures of Federal Awards

Internal control over financial reporting:				
Material weakness identified?		Yes	X	No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		No

Federal Awards

Internal control over major programs:				
Material weakness identified?	X	Yes		No
Significant deficiencies identified not considered to be material weaknesses?	X	Yes		No
Type of auditor's report issued on compliance for major programs:	Qualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	X	Yes		No

Identification of Major Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$30.0 Million			
Auditee qualified as low-risk auditee?		Yes	X	No

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Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Agriculture	
Supplemental Nutrition Assistance Program (SNAP) Cluster	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grant for Supplemental Nutrition Program	10.561
ARRA - State Admin Matching Grant for Supplemental Nutrition Program	10.561
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
U. S. Department of Defense	
National Guard Military Operations and Maintenance	12.401
ARRA - National Guard Military Operations and Maintenance	12.401
U. S. Department of Labor	
Workforce Investment Act (WIA) Cluster	
WIA-Adult Program	17.258
ARRA - WIA-Adult Program	17.258
WIA-Youth Activities	17.259
ARRA - WIA-Youth Activities	17.259
WIA-Dislocated Workers	17.260
ARRA - WIA- Dislocated Workers	17.260
Unemployment Insurance	17.225
ARRA - Unemployment Insurance	17.225
U. S. Department of Transportation	
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205
ARRA - Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Federal Transit Cluster	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507

Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Transportation (continued)	
Airport Improvement Program	20.106
ARRA - Airport Improvement Program	20.106
U. S. Department of Energy	
Weatherization Assistance for Low-Income Persons	81.042
ARRA - Weatherization Assistance for Low-Income Persons	81.042
U. S. Department of Education	
Special Education Cluster	
Special Education – Grants to States	84.027
Special Education - Preschool Grants	84.173
ARRA - Special Education – Grants to States	84.391
ARRA - Special Education - Preschool Grants	84.392
Student Financial Assistance Cluster	
Federal Supplemental Education Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program	84.033
Federal Perkins Loans	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grant	84.375
National Science and Mathematics Access to Retain Talent Grant	84.376
Teacher Education Assistance Grants (TEACH)	84.379
Nursing Student Loans	93.364
State Fiscal Stabilization Fund Cluster	
ARRA - State Fiscal Stabilization Fund – Education State Grants	84.394
ARRA - State Fiscal Stabilization Fund – Government Services	84.397
Title I, Part A Cluster	
Title 1 Grants to Local Education Agencies	84.010
ARRA - Title 1 Grants to Local Education Agencies	84.389
Vocational Rehabilitation Cluster	
Rehabilitation Services - Vocational Rehabilitation Grants	84.126
ARRA - Rehabilitation Services - Vocational Rehabilitation Grants	84.390
Improving Teacher Quality State Grants	84.367

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Section I: (continued)

Major Programs Audited

Federal Agency and Major Program Name	CFDA#
U. S. Department of Health & Human Services	
Child Care and Development Fund (CCDF) Cluster	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds	93.596
ARRA - Child Care and Development Block Grant	93.713
U. S. Department of Health & Human Services (continued)	
Medical Assistance Cluster	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778
ARRA - Medical Assistance Program	93.778
Temporary Assistance for Needy Families (TANF) Cluster	
Temporary Assistance for Needy Families	93.558
ARRA – Emergency Contingency Fund for TANF	93.714
Immunization Cluster	
Immunization Grants	93.268
ARRA - Immunization Grants	93.712
Public Health Emergency Preparedness	93.069
Child Support Enforcement	93.563
ARRA - Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care Title IV-E	93.658
ARRA - Foster Care Title IV-E	93.658
Social Services Block Grant	93.667
U. S. Department of Homeland Security	
Disaster Assistance Grants – Public Assistance	97.036

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Section II:

Financial Statement Audit Findings

On February 18, 2011, we separately issued our Report on Internal Control Over Statewide Financial Reporting in accordance with *Government Auditing Standards.* (Legislative Audit Report 11-02). This report may also be accessed electronically at:
www.auditor.leg.state.mn.us/fad/pdf/fad1102.pdf

The report contains five findings related to controls over the preparation of the State of Minnesota's financial statements that are required to be reported in accordance with *Government Auditing Standards*. Three of those findings related to federal awards.

Finding 2, including Appendix A and B, related to employees having inappropriate access to the state's business systems or having the ability to perform incompatible duties without mitigating controls. A portion of this finding, related to the Minnesota departments of Education, Human Services, and Transportation, could impact the administration of federal programs.

Finding 3 related to errors in the preliminary financial statements and supporting information received from agencies used to prepare the financial statements. Undetected and uncorrected errors in the federal fund could have an impact on the accuracy of the Schedules of Expenditures of Federal Awards. The Department of Management and Budget corrected the errors, identified as audit adjustments, in the published fiscal year 2010 financial statements.

Finding 5 related to lack of reconciliations of subsystem data at the Department of Human Services. These deficiencies in internal control could have an impact on the federal awards processed through these subsystems.

On November 4, 2010, an external public accounting firm for the Minnesota State Colleges and Universities, a part of the primary government of the State of Minnesota, separately issued a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Minnesota State Colleges and Universities' financial statements. Their report contained no findings. Their report may be accessed electronically at:
www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/docs/2010systemwide.pdf

MINNESOTA

Headwaters of the mighty Mississippi

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
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Index of Section III
Federal Program Audit Findings and Questioned Costs

MINNESOTA

Headwaters of the mighty Mississippi

MINNESOTA OFFICE OF THE LEGISLATIVE AUDITOR
STATEWIDE SINGLE AUDIT
SECTION III
SCHEDULE OF FEDERAL PROGRAM AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2010

(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Agriculture (Note 5)			(Note 2)					
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Human Services	10-34	5	S	A,B,E	Unnecessary employee access to program subsystem	P
10.551	Supplemental Nutrition Assistance Program (Note 6)	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.553	School Breakfast Program	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
10.553	School Breakfast Program	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
10.553	School Breakfast Program	Education	11-12	3	S	L	Insufficient supporting documentation for reporting two federal programs	P
10.553	School Breakfast Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.555	National School Lunch Program	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
10.555	National School Lunch Program	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
10.555	National School Lunch Program	Education	11-12	3	S	L	Insufficient supporting documentation for reporting two federal programs	P
10.555	National School Lunch Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.556	Special Milk Program for Children	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
10.556	Special Milk Program for Children	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
10.556	Special Milk Program for Children	Education	11-12	3	S	L	Insufficient supporting documentation for reporting two federal programs	P
10.556	Special Milk Program for Children	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.557	Special Program for Women, Infants and Children	Health	11-09	1	S		No documented internal control structure ensuring compliance	P
10.557	Special Program for Women, Infants and Children	Health	11-09	4	S		Did not accurately record the liability date in the state's accounting system	P
10.557	Special Program for Women, Infants and Children	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.558	Child and Adult Care Food Program	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
10.558	Child and Adult Care Food Program	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
10.558	Child and Adult Care Food Program	Education	11-12	3	S	L	Insufficient supporting documentation for reporting two federal programs	P
10.558	Child and Adult Care Food Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.559	Summer Food Service Program	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
10.559	Summer Food Service Program	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
10.559	Summer Food Service Program	Education	11-12	3	S	L	Insufficient supporting documentation for reporting two federal programs	P
10.559	Summer Food Service Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
10.561	ARRA-Supplemental Nutrition Assistance Administratic	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
10.561	ARRA-Supplemental Nutrition Assistance Administratic	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
10.561	Supplemental Nutrition Assistance Administration	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
10.561	ARRA-Supplemental Nutrition Assistance Administratic	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
10.561	Supplemental Nutrition Assistance Administration	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
10.561	ARRA-Supplemental Nutrition Assistance Administratic	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
U.S. Department of Defense								
12.401	National Guard Military Operations and Maint.	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
12.401	ARRA-National Guard Military Operation and Maint.	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P

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STATEWIDE SINGLE AUDIT
SECTION III
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(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Energy								
81.041	State Energy Program	Commerce	11-10	2	S	B	Overcharge of indirect costs to federal programs	$9,912
81.041	ARRA-State Energy Program	Commerce	11-10	2	S	B	Overcharge of indirect costs to federal programs	$19,983
81.042	Weatherization Assistance for Low-Income Persons	Commerce	11-10	1	S	E,D,M	Inadequate monitoring of service provider compliance with certain federal requirements	P
81.042	ARRA-Weatherization Assistance	Commerce	11-10	1	S	E,D,M	Inadequate monitoring of service provider compliance with certain federal requirements	$141,802
81.042	Weatherization Assistance for Low-Income Persons	Commerce	11-10	2	S	B	Overcharge of indirect costs to federal programs	$4,718
81.042	ARRA-Weatherization Assistance	Commerce	11-10	2	S	B	Overcharge of indirect costs to federal programs	$27,712
81.042	ARRA-Weatherization Assistance	Commerce	11-10	3	S	E	No recovery of disallowed costs reimbursed to suspended service provider	$426,523
81.042	ARRA-Weatherization Assistance	Commerce	11-10	4	S	F	No update of inventory records for equipment purchased with federal program funds	P
81.042	Weatherization Assistance for Low-Income Persons	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
81.042	ARRA-Weatherization Assistance	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
U.S. Department of Labor								
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	11-06	1	S	E	No identification and recovery of overpaid $25 supplement and certain benefit extensions	$3,219,000
17.225	Unemployment Insurance	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.225	ARRA-Unemployment Insurance	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.225	ARRA-Unemployment Insurance	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.225	Unemployment Insurance	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.258	Workforce Investment Act-Adult	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.258	ARRA-Workforce Investment Act-Adult	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.258	Workforce Investment Act-Adult	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.258	ARRA-Workforce Investment Act-Adult	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.259	Workforce Investment Act-Youth	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.259	ARRA-Workforce Investment Act-Youth	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.259	Workforce Investment Act-Youth	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.259	ARRA-Workforce Investment Act-Youth	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.260	Workforce Investment Act-Dislocated Worker	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
17.260	Workforce Investment Act-Dislocated Worker	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
17.260	ARRA-Workforce Investment Act-Dislocated Worker	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
U.S. Department of Transportation			(Note 3)					
20.106	Airport Improvement Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.106	ARRA - Airport Improvement Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.200	Highway Research and Program Development	Transportation	11-11	1	S		Inaccurate reporting on the draft schedule of expenditures	P
20.205	Highway Planning and Construction	Transportation	11-11	1	S		Inaccurate reporting on the draft schedule of expenditures	P
20.205	Highway Planning and Construction	Transportation	DOT-11	I	S	B,M	Noncompliance with materials control for bridge concrete and steel	$5,829,000
20.205	ARRA-Highway Planning and Construction	Transportation	DOT-11	I	S	B,M	Noncompliance with materials control for bridge concrete and steel	(Note 3)
20.205	Highway Planning and Construction	Transportation	DOT-11	II	S	B,M	Noncompliance with concrete materials control requirements	$7,487,000
20.205	ARRA-Highway Planning and Construction	Transportation	DOT-11	II	S	B,M	Noncompliance with concrete materials control requirements	(Note 3)
20.205	Highway Planning and Construction	Transportation	DOT-11	III	S	B,M	Noncompliance with materials control for grading and base construction	$1,289,000
20.205	ARRA-Highway Planning and Construction	Transportation	DOT-11	III	S	B,M	Noncompliance with materials control for grading and base construction	(Note 3)
20.205	ARRA-Highway Planning and Construction	Transportation	DOT-11	IV	S	B,M	Noncompliance with materials control requirements for bituminous pavement reclamation	$760,000
20.205	Highway Planning and Construction	Transportation	DOT-11	V	S	B,M	Noncompliance with bridge and building removal requirements	$33,000
20.205	ARRA-Highway Planning and Construction	Transportation	DOT-11	V	S	B,M	Noncompliance with bridge and building removal requirements	(Note 3)
20.205	Highway Planning and Construction	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.205	ARRA-Highway Planning and Construction	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.219	Recreation Trails Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.500	Federal Transit Capital Investment Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
20.507	Federal Transit Formul Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P

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(Note 1)

CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Education			(Note 4)					
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.007	Federal Supplemental Educational Opportunity Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.010	Title I - Grant to Local Education Agencies	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.010	Title I - Grant to Local Education Agencies	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.010	Title I - Grant to Local Education Agencies	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.027	Special Education - State Grants	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.027	Special Education - State Grants	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.027	Special Education - State Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	LA-10	1	S		Incorrect calcuation of refunds of federal awards at two higher-education institutions	$1,053
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.032	Federal Family Education Loans	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.033	Federal Work Study Program	Minnesota State Colleges and Universities	LA-10	4	S	N	College did not meet minimum requirement for involvement in community service jobs	$3,645
84.033	Federal Work Study Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.038	Federal Perkins Loans	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.038	Federal Perkins Loans	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.038	Federal Perkins Loans	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.063	Federal Pell Grant Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.126	Vocational Rehabilitation	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
84.126	Vocational Rehabilitation	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.173	Special Education - Preschool Grants	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.173	Special Education - Preschool Grants	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.173	Special Education - Preschool Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.268	Federal Direct Student Loans	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.364	Nursing Student Loans	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.367	Improving Teacher Quality State Grants	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.367	Improving Teacher Quality State Grants	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.367	Improving Teacher Quality State Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.375	Academic Competitiveness Grants	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.375	Academic Competitiveness Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.376	National Science and Mathematics Talent Grants	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.376	National Science and Mathematics Talent Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.379	Teacher Education Assistance for College and Higher I	Minnesota State Colleges and Universities	LA-10	2	S	N	College did not return Title IV funds for reduced enrollment	P
84.379	Teacher Education Assistance for College and Higher I	Minnesota State Colleges and Universities	LA-10	3	S	N	Three colleges did not return Title IV funds timely	P
84.379	Teacher Education Assistance for College and Higher I	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.389	ARRA-Title I - Grant to Local Education Agencies	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.389	ARRA-Title I - Grant to Local Education Agencies	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.389	ARRA-Title I - Grant to Local Education Agencies	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P

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U.S. Department of Education (continued)			(Note 4)					
84.390	ARRA-Vocational Rehabilitation	Employment and Economic Development	11-06	2	S		No identification and monitoring of internal controls ensuring compliance	P
84.390	ARRA-Vocational Rehabilitation	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.391	ARRA-Special Education - State Grants	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.391	ARRA-Special Education - State Grants	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.391	ARRA-Special Education - State Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.392	ARRA-Special Education - Preschool Grants	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.392	ARRA-Special Education - Preschool Grants	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.392	ARRA-Special Education - Preschool Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.394	ARRA-State Stabilization Funds - Education	Education	11-12	1	S		No documented internal control structure ensuring compliance	P
84.394	ARRA-State Stabilization Funds - Education	Education	11-12	2	S	M	Noncompliance with subrecipient monitoring and notification requirements	P
84.394	ARRA-State Stabilization Funds - Education	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
84.397	ARRA-State Stabilization Funds - Government	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
84.397	ARRA-State Stabilization Funds - Government	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
84.397	ARRA-State Stabilization Funds - Government	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
U.S. Department of Health & Human Services								
93.069	Public Health Emergency Preparedness & Response	Health	11-09	1	S		No documented internal control structure ensuring compliance	P
93.069	Public Health Emergency Preparedness & Response	Health	11-09	3	S	H	Inappropriately charged federal program costs to prior grant award period	P
93.069	Public Health Emergency Preparedness & Response	Health	11-09	4	S		Did not accurately record the liability date in the state's accounting system	P
93.069	Public Health Emergency Preparedness & Response	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.268	Immunization Grants	Health	11-09	1	S		No documented internal control structure ensuring compliance	P
93.268	Immunization Grants	Health	11-09	3	S	H	Inappropriately charged federal program costs to prior grant award period	P
93.268	Immunization Grants	Health	11-09	4	S		Did not accurately record the liability date in the state's accounting system	P
93.268	Immunization Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.558	Temporary Assistance for Needy Families	Human Services	10-34	5	S	A,B,E	Unnecessary employee access to program subsystem	P
93.558	Temporary Assistance for Needy Families	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.558	Temporary Assistance for Needy Families	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.558	Temporary Assistance for Needy Families	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.558	Temporary Assistance for Needy Families	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.558	Temporary Assistance for Needy Families	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.558	Temporary Assistance for Needy Families	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.563	Child Support Enforcement	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.563	ARRA-Child Support Enforcement	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.563	Child Support Enforcement	Human Services	11-13	3	S		Unnecessary employee access to program subsystem	P
93.563	ARRA-Child Support Enforcement	Human Services	11-13	3	S		Unnecessary employee access to program subsystem	P
93.563	Child Support Enforcement	Human Services	11-13	4	S		Excessive federal cash balances	P
93.563	Child Support Enforcement	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.563	ARRA-Child Support Enforcement	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.563	Child Support Enforcement	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.563	ARRA-Child Support Enforcement	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.563	Child Support Enforcement	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.563	ARRA-Child Care and Development	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.563	Child Support Enforcement	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.563	ARRA-Child Support Enforcement	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.568	Low-Income Home Energy Assistance	Commerce	11-10	2	S	B	Overcharge of indirect costs to federal programs.	$51,319
93.568	Low-Income Home Energy Assistance	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.575	Child Care and Development Block Grant	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.575	Child Care and Development Block Grant	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.575	Child Care and Development Block Grant	Human Services	11-13	4	S		Excessive federal cash balances	P
93.575	Child Care and Development Block Grant	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.575	Child Care and Development Block Grant	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.575	Child Care and Development Block Grant	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P

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U.S. Department of Health & Human Services (continued)								
93.596	Child Care Mandatory and Matching Fund	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.596	Child Care Mandatory and Matching Fund	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.596	Child Care Mandatory and Matching Fund	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.596	Child Care Mandatory and Matching Fund	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.596	Child Care Mandatory and Matching Fund	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.658	Foster Care - Title IV-E	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.658	ARRA-Foster Care - Title IV-E	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.658	Foster Care - Title IV-E	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.658	ARRA-Foster Care - Title IV-E	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.658	Foster Care - Title IV-E	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.658	ARRA-Foster Care - Title IV-E	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.658	Foster Care - Title IV-E	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.658	ARRA-Foster Care - Title IV-E	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.658	Foster Care - Title IV-E	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.658	ARRA-Foster Care - Title IV-E	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.659	Adoption Assistance	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.659	Adoption Assistance	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.667	Social Services Block Grant	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.667	Social Services Block Grant	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.667	Social Services Block Grant	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.667	Social Services Block Grant	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.712	ARRA-Immunization Grants	Health	11-09	1	S		No documented internal control structure ensuring compliance	P
93.712	ARRA-Immunization Grants	Health	11-09	2	S	L	Did not accurately report ARRA funds or notify subrecipients of ARRA requirements	P
93.712	ARRA-Immunization Grants	Health	11-09	4	S		Did not accurately record the liability date in the state's accounting system	P
93.712	ARRA-Immunization Grants	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.712	ARRA-Immunization Grants	Management and Budget	11-14	2	S	L	Did not accurately report ARRA funds	P
93.713	ARRA-Child Care and Development	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.713	ARRA-Child Care and Development	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.713	ARRA-Child Care and Development	Human Services	11-13	4	S		Excessive federal cash balances	P
93.713	ARRA-Child Care and Development	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.713	ARRA-Child Care and Development	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.713	ARRA-Child Care and Development	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	10-34	5	S	A,B,E	Unnecessary employee access to program subsystem	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.714	ARRA-Emergency Contingency Fund for TANF	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.714	ARRA-Emergency Contingency Fund for TANF	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.767	Children's Health Insurance Program	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.767	Children's Health Insurance Program	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.767	Children's Health Insurance Program	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.767	Children's Health Insurance Program	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.775	State Medicaid Fraud Control Units	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.777	State Health Care Providers Survey	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.777	State Health Care Providers Survey	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.777	State Health Care Providers Survey	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.777	State Health Care Providers Survey	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.778	Medical Assistance Program	Human Services	10-34	1	M	A,B,N	No documented internal control structure ensuring licensure of healthcare providers	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	1	M	A,B,N	No documented internal control structure ensuring licensure of healthcare providers	P
93.778	Medical Assistance Program	Human Services	10-34	2	S	N	Lack of adequate separation of duties	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	2	S	N	Lack of adequate separation of duties	P

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CFDA NO.	PROGRAM NAME	STATE AGENCY	RPT NO	FIND NO	INT CONT	COMP REQ	PROBLEM	FIN IMPACT
U.S. Department of Health & Human Services (continued)								
93.778	Medical Assistance Program	Human Services	10-34	3	S		Lack of system change control standards	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	3	S		Lack of system change control standards	P
93.778	Medical Assistance Program	Human Services	10-34	4	S		Lack of logging or monitoring of system files	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	4	S		Lack of logging or monitoring of system files	P
93.778	Medical Assistance Program	Human Services	10-34	5	S	A,B	Unnecessary employee access to program subsystem	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	5	S	A,B	Unnecessary employee access to program subsystem	P
93.778	Medical Assistance Program	Human Services	10-34	6	S	L	Lack of reconciliation of subsystem data	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	6	S	L	Lack of reconciliation of subsystem data	P
93.778	Medical Assistance Program	Human Services	10-34	7	S	B	Lack of controls to limit certain unallowable payments	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	7	S	B	Lack of controls to limit certain unallowable payments	P
93.778	Medical Assistance Program	Human Services	10-34	8	S	B	Lack of controls to limit certain unallowable payments	P
93.778	ARRA-Medical Assistance Program	Human Services	10-34	8	S	B	Lack of controls to limit certain unallowable payments	P
93.778	Medical Assistance Program	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	1	M	A,B,E	No documented internal control structure ensuring accurate eligibility determinations	P
93.778	Medical Assistance Program	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.778	Medical Assistance Program	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
93.778	Medical Assistance Program	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	6	S	M	Insufficient notification of federal award information to subrecipients	P
93.778	Medical Assistance Program	Human Services	11-13	7	S	N	Lack of verification of compliance with federal health and safety standards	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	7	S	N	Lack of verification of compliance with federal health and safety standards	P
93.778	Medical Assistance Program	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.778	ARRA-Medical Assistance Program	Human Services	11-13	8	S	L	Did not submit federal quarterly reports timely	P
93.778	Medical Assistance Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.778	ARRA-Medical Assistance Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P
93.959	Block Grants for Substance Abuse	Human Services	11-13	2	S		No documented internal control structure ensuring compliance	P
93.959	Block Grants for Substance Abuse	Human Services	11-13	5	S	A,B	Insufficient review of payroll reports	P
U. S. Department of Homeland Security								
97.036	Disaster Recovery Public Assistance Program	Public Safety	11-07	1	S		Inadequate internal control structure over Single Audit requirements	P
97.036	Disaster Recovery Public Assistance Program	Management and Budget	11-14	1	S		SEFA not prepared in a timely manner	P

Notes:

(Note 1) - This summary schedule highlights federal program audit findings presented in the federal compliance reports to the applicable state agencies from the Minnesota Office of the Legislative Auditor (reports available at www.auditor.leg.state.mn.us), the Minnesota Department of Transportation Office of Audit (see Note 3), and Larson Allen, LLP (see Note 4).

(Note 2) - The "RPT NO" column shows the report numbers in the format 0X-XX, and identifies individual agency reports; and the "FIND NO" are finding numbers within those reports. The finding identifies whether the internal control (INT CONT) is a Material (M) weakness or a Significant (S) deficiency and/or compliance (COMP REQ) requirement addressed (A-N). The financial impact of a finding is shown as procedural (P), non-quantifiable (NQ) or as a questioned cost.

(Note 3) - The Minnesota Department of Transportation (DOT) Office of Audit audited the department's federal programs. The "RPT NO" for DOT federal program findings are reported in DOT 11-800-51, and the "FIND NO" are finding numbers within DOT's report. The questioned costs for the DOT federal program findings represent the sum of the cited bid item and include both federal (including ARRA) and state funds because the construction projects are financed from both sources and the funding ratio can vary by project and within projects. A complete copy of the DOT Office of Audit Report is available at: http://www.dot.state.mn.us/const/tools/references.html

(Note 4) - Larson Allen, LLP (LA) audited the Minnesota State Colleges and Universities financial statements, the federal financial aid cluster, and MnSCUs portion of the State Fiscal Stabilization Fund. The "RPT NO" for Larson Allen federal program findings are reported in LA-10; and the "FIND NO" are finding numbers within Larson Allen's report.

(Note 5) - Programs funded by the American Recovery and Reinvestment Act include "ARRA" in the Program Name.

(Note 6) - Beginning in fiscal year 2010, the regular appropriated and American Recovery and Reinvestment Act benefits funded under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, current audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

<u>Finding 10-34-1</u> *<u>No documented internal control structure ensuring licensure of healthcare providers</u>*

1. The Department of Human Services did not have adequate internal controls to ensure that it only paid licensed healthcare providers.

The department's Medical Assistance system (MMIS) authorized payments to healthcare providers even when the system's data indicated that the provider's license information was expired or missing. Although the license information in the Medical Assistance system did not necessarily reflect the healthcare providers' actual license status, department staff did not have an effective process to update provider license information. In addition, the department did not monitor the extent of payments to healthcare providers with expired license information nor did it address the increased risk of improper payments and fraud.

We consider what we found to be a material weakness in internal controls over compliance with federal and state Medical Assistance program requirements, which require certain healthcare providers to have valid licenses before being paid for services.[1] By not ensuring that health care providers had valid licenses, the department created an unacceptable risk that it paid ineligible providers.

[1] 42 CFR section 455.2 defines practitioners as "a physician or other individual licensed under State law to practice his or her profession." *Minnesota Rules* 9505.175 and *Minnesota Statutes* 256B.02 require certain providers to be licensed.

As of April 30, 2010, the Medical Assistance system identified 11,489 healthcare providers requiring a license as having expired or missing license information – nearly 28 percent of the 41,529 healthcare providers requiring a license.[2] During the period from July 2009 through April 2010, the department's payments to healthcare providers with expired or missing license information totaled nearly $564 million. For example, the department paid $17,272,073 to 1,286 psychologists and $6,230,012 to 413 dentists who had missing or expired license information.

We compared the Medical Assistance system's license information for Minnesota providers in four of the healthcare provider categories (psychologists, dentists, physicians, and optometrists[3]) to the actual license information from the corresponding Minnesota health licensing boards. For these providers, we verified that they had active Minnesota licenses and that the department had not made improper payments.[4]

In addition, the Medical Assistance system did not allow for recognition of more than one type of license for certain healthcare provider categories that may have several different licensing requirements. The *waivered program* category, which included a wide variety of home and community based services, had specific licensing requirements depending on the category of service provided; however, the system did not ensure that the license held by the provider matched the service provided.

Recommendations

- *The department should develop a process to update the Medical Assistance system's license information and prevent payments to providers who are not licensed or whose licenses are expired.*
- *The department should determine, for all types of health care providers, whether it made any payments to providers with expired licenses. If so, it should recover those payments and determine whether it needs to take any legal action against those providers.*
- *The department should refine its system controls or design an alternative way to ensure that waivered service providers have all appropriate licenses.*

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[2] Of these 11,489 healthcare providers, 11,180 had information indicating an expired license, and 309 providers had no licensing data in the Medical Assistance system.

[3] These four categories had 2,417 Minnesota health care providers with expired or missing license information in the Medical Assistance system and made up 21 percent of the total providers who had missing or expired license information in the Medical Assistance system.

[4] We did not verify the license status for the 1,936 providers in these categories who were licensed by other states.

Minnesota Department of Human Services Response:

Department Response #1-1

The department agrees with the recommendation. The current DHS Provider Enrollment (PE) process for enrolling and maintaining provider records includes verifying and entering license data at the time of enrollment, verifying license status for most of our currently enrolled providers as their license expiration date approaches, either manually or through an automated process, and processing notices of license actions from licensing boards.

We developed a programmed job in MMIS to more efficiently manage the maintenance of our 20,000 physicians and physician assistants. We receive a file from the Minnesota Board of Medical Practice on a monthly basis. The file is downloaded and the data is auto-populated into the corresponding provider records. Records where the Board has reported the license as expired, revoked, suspended or otherwise terminated are identified on a report. An enrollment specialist then manually terminates the enrollment status of each record identified on the report. An MMIS system's change request has been submitted to add a step to this job so that these records are systematically terminated so that manual intervention will no longer be required.

For the remaining 100,000 providers, a report is generated from MMIS on a monthly basis and distributed among the enrollment specialists according to their provider type expertise. The report identifies providers whose licenses are nearing their expiration date. The specialists verify the licenses and either manually update each record with new license expiration dates or manually terminate the enrollment status of those providers whose licenses have not been renewed.

Some licensing boards do not provide license expiration dates when specialists verify licensure. However, all Minnesota licensing boards provide PE with a copy of license action notices they send to their licensees. Enrollment specialists receive and process these notices as a part of their daily work, terminating enrollment status as appropriate at the time of notification.

All of the processes described above result in termination of the provider's record *after* the license is expired, revoked, suspended or otherwise terminated. Even the automated process is not a real-time process. To ensure recovery of claims paid for dates of service on or after the license action and corresponding enrollment termination, the DHS Operations Data Integrity (ODI) unit runs a weekly report to identify providers who have been terminated with a retroactive date and the associated claims, and a DHS Claims Specialist recovers those payments.

The manual license verification processes described above are labor-intensive and can be untimely if there is a backlog in the enrollment specialists' or administrative staff's work queues. PE is currently in the analysis stage of creating program jobs similar to the one described earlier for physicians and physician assistants for the 60-plus remaining provider types we enroll and maintain. PE has met with DHS Licensing to discuss jointly participating in the governor's E-License initiative as a means for connecting with other licensing boards and the Minnesota Department of Health.

This past summer, PE began implementation of Annual Re-enrollment, whereby all but our waiver service providers are asked to resubmit specific demographic information and sign a new provider agreement each year. License data is verified upon receipt of the new agreement. PE will terminate the enrollment status of providers who do not respond to the request for updated information.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: January 1, 2012

Department Response #1-2

The department agrees with the recommendation. For all the providers identified, PE will request a bulk file from each licensing board, update each provider record with current license data including license number, license begin date and license end date and use the established process described in the previous recommendation to recover payments as appropriate.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: January 1, 2012

The department agrees with the recommendation. We look to the Provider Enrollment and Provider Standards Initiative (PEPSI) project to address re-enrollment of our waiver service providers. The PEPSI project will develop a common provider enrollment business process across home care and waiver services with increased provider standards and verification. Among the objectives of the project are:

- Creating a consistent statewide waiver provider enrollment process with consistent and equitable provider standards and improved processes to verify standards
- Developing a directory of enrolled providers that will assure provider standards are met at initial enrollment and are verified on an ongoing basis
- Maximizing use of state resources by integrating existing provider quality assurance and oversight mechanisms and evidence of provider qualifications and performance generated via these mechanisms into DHS' provider enrollment system

In conjunction with the PEPSI project, we are creating a number of new license codes. Many of the Category of Service (COS) codes that are tied to Waiver billing codes actually represent a number of different types of services. And many of these services can be provided under the scope of multiple license types.

An example of this is the Foster Care COS (COS 103). It can represent *Adult Foster Care*, *Daily Adult Corporate Foster Care*, *Monthly Adult Corporate Foster Care*, *Adult Family Foster Care, Corporate Foster Care, and Child Foster Care*. To provide *Adult Foster Care, Daily Adult Corporate Foster Care* and *Monthly Adult Corporate Foster Care*, a waiver provider must possess an Adult Foster Care License (License code LC). To provide *Adult Family Foster Care*, a provider must possess an Adult Foster Care License in which the home is the primary residence of thee license holder (license code AF). For *Corporate Foster Care*, a provider must have an Adult Foster Care License in with the home is ***not*** the primary residence of the license holder and which is licensed under Chapter 245B (license code EW). Finally, to provide Child Foster Care, a provider must possess a Child Foster Care License (license code CF).

We are creating license codes for each of the four scenarios described above, so that the provider's file clearly denotes the type of license that was verified by PE before adding the COS to the provider's record. This will prevent payment of claims for services where the provider does not have the appropriate license code and/or specialty code in their record for the specific date of service.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: January 1, 2012

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-2 *Lack of adequate separation of duties*

2. The Department of Human Services did not adequately separate incompatible duties in its process for enrolling service providers.

The department did not adequately separate incompatible duties for 20 employees responsible for enrolling providers. Separation of incompatible duties is a fundamental internal control designed to ensure that no one employee or group of employees can perpetrate and conceal errors or fraud in the normal course of their duties. These employees could set up providers in the Medical Assistance system (MMIS), the state's accounting system, and the department's electronic claims submission interface. In addition, the same employees verified licensing information upon initial application. As a result, any one of these employees could set up an invalid provider and make fraudulent payments to that provider without detection. This weakness created an unacceptable risk of fraud.

Recommendation

- *The department should separate incompatible provider enrollment duties.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. PE is currently organized so that each specialist develops an expertise with specific provider types. There are over 70 provider types. There are eighteen enrollment specialists. Nine of them are dedicated to enrolling the 50,000-plus Individual Personal Care Attendants (PCAs) who work for the 800-plus personal care agencies in Minnesota. The other nine specialists have mastered the variety of enrollment requirements attributable to the remaining 70,000-plus providers.

While license verification is an important part of the enrollment process, there are a number of other elements, from the date of birth of an individual PCA to the names, addresses and Social Security Numbers of the owners and managers of a durable medical equipment provider, also required for enrollment. These elements vary from provider type to provider type. Some provider types' requirements, like Personal Care Provider Organizations (PCPOs), are more complex than others.

PE will meet the challenge presented by this finding by reorganizing the existing staff into two levels. The first level of staff will do the initial processing of documents submitted by new and currently enrolled providers, performing data entry and basic triage, and following up with providers who have missing or incorrect documents. The second level of staff will perform the necessary verification of requirements and activate, terminate or deny the provider's enrollment status. PE will work with Human Resources to determine if this change in structure will require changes to the job descriptions and job class.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: September 30, 2011

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778	Medical Assistance
93.778	ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

<u>**Finding 10-34-3**</u> *<u>Lack of system change control standards</u>*

3. The Department of Human Services did not establish standards to ensure the sufficiency of testing done for changes to the Medical Assistance system and did not adequately document testing and authorization for those changes.

The department did not ensure that program staff had adequately tested and authorized changes to the Medical Assistance system (MMIS) before information technology staff implemented the changes. The department frequently made changes to the system to improve business processes, comply with new legislative mandates, modify reports, or change edits. Testing of proposed changes is necessary to ensure that the changes worked as intended and did not result in unforeseen issues.[5] In addition, Office of Enterprise Technology[6] and National Institute of Standards and Technology[7] standards recommend that an appropriate individual must approve the changes before implementation.

Program staff within each of the 15 divisions that used the Medical Assistance system were responsible for developing their own testing practices for system changes. Generally, the department's information technology staff implemented changes based on e-mails from program staff authorizing the change. However, the information technology staff did not have information about whether the testing of the proposed change was appropriate or sufficiently rigorous to ensure that it worked as intended, and they did not know who had the authority to authorize the implementation of the change. The department's record of Medical Assistance system changes did not include information about who was responsible for the testing, what the testing approach was, or where, and for how long, employees should retain the testing results documentation. Also, information technology staff did not always retain e-mails authorizing the changes. Of the

[5] National Institute of Standards and Technology's 800-53 SA-11: Developer Security Testing.
[6] Office of Enterprise Technology Enterprise Security Operational Control Policy OP06.
[7] National Institute of Standards and Technology's 800-53 SA-10: Developer Configuration Management.

six change requests we tested, one did not have documentation of a test plan or of the test results and three did not have documentation of the authorization to implement the proposed change.

The department relies on the Medical Assistance system to review, assess, and validate most provider claims. The system processes almost 95 percent of all claims based solely on criteria established in the system. Because the department had not set its expectations for testing and authorizing changes to the Medical Assistance system, it unnecessarily increased the risk that changes to the system could result in errors in its financial or demographic data or in its processing of medical payment claims.

Recommendation

- *The department should document testing and approval standards for Medical Assistance system changes and implement monitoring activities to ensure compliance with the standards.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. Changes will be made to the MMIS Change Request process. The process will now require documentation of the following:

- Testing strategy – A summary of planned testing strategies will be required. Change Requests will not be approved and forwarded to technical staff without this information.
- Test Plans – Test plans and results will either be attached or linked to the Change Request. This documentation will be a mandatory component of the Change Request closeout process.
- Identification of who (person or job title) can authorize moving the change to production – this will be a mandatory field in the Change Request submission process. Change Requests will not be approved and forwarded to technical staff without this information.
- A copy of the approval to move the change to production will be retained for 60 days.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: January 1, 2011

Minnesota Office of the Legislative Auditor

Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-4 *Lack of logging or monitoring of system files*

4. The Department of Human Services did not log or monitor direct changes to critical Medical Assistance system files.

The department had not logged changes made directly to its Medical Assistance system (MMIS) files, including provider and recipient master files. Technical support staff at the department and the Office of Enterprise Technology could directly access data in these files without going through the security controls established within the Medical Assistance system. These technical staff needed direct access to the data to support the system's continued operation and availability. For example, they may need to fix processing errors or modify data that would be time consuming to correct through a system change. However, the department was not monitoring these employees' access or changes to the files.

The Office of Enterprise Technology's policy requires agencies to "log system events of critical information assets for the purposes of security monitoring, investigation, and compliance activities."[8] To ensure appropriate response to logged events, best practices require review of the log by employees independent of the changes made. Without logging and monitoring the logs, the department had no assurance that employees only made authorized changes.

Recommendations

- *The department should log changes to critical Medical Assistance system files.*
- *The department should independently monitor the critical file logs and investigate any unusual or unauthorized access to the files.*

[8] Office of Enterprise Technology Policy TC03.

Minnesota Department of Human Services Response:

Department Response #4-1

The department agrees with the recommendation. All non-production update access to the files identified by the auditors, specifically, those generated by the claims warrant process and used by Minnesota Management & Budget, has been logged since June 8, 2010. All logged access is written to the DHS ACF2 daily security activity file and reported in the MMIS ACF2 Monthly Security report. The monthly security report is reviewed by both the HCO security supervisor and the HCO security team lead.

Department Response #4-2

The department agrees with the recommendation. See department response #4-1.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: Completed

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA – Emergency Contingency Funds for TANF
93.778	Medical Assistance
93.778	ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-5 *Unnecessary employee access to program subsystem*

5. **Prior Finding Partially Resolved:[9] The Department of Human Services did not have sufficient controls to limit, monitor, or prevent incompatible or unnecessary access to the Medical Assistance system and the cash and food benefits system.**

The department did not sufficiently limit access to the Medical Assistance system (MMIS) and the cash and food benefits system (MAXIS). The National Institute of Standards and Technology's access control standards include documenting the roles, responsibilities, and purpose of access controls, including identifying incompatible duties within and between roles.[10] Additionally, the department did not sufficiently monitor and manage system access to ensure it limited access to employees' job duties. The department had weaknesses in the following areas:

- The department had 25 employees with unnecessary access to create or modify data in the cash and food benefits system's warrant payment file. This file contained the data required for the department to print warrants for certain federal aid recipients.[11]

[9] Office of the Legislative Auditor, Financial Audit Division, Report 07-14, *Department of Human Services: Medicaid Management Information Systems Security Controls,* issued June 7, 2007, Finding 1.
[10] National Institute of Standards and Technology publication 800-53, AC-1, AC-5, AC-6.
[11] Although the department provided most federal food stamp and cash assistance benefits to recipients electronically through the cash and food benefits system, the department also provided some benefits by printing and mailing paper checks.

- The department had 13 staff with incompatible access to the Medical Assistance system. These employees could create or modify provider information, recipients, and claims for reimbursement. This combination would allow the employees to process fictitious transactions through the Medical Assistance system. The department had not detected this incompatible access because it did not have complete and accurate documentation for two of the Medical Assistance system's security groups. One security group had no documentation, and another had inaccurate information. Documentation of security groups is essential to ensure that the department limits employee access to the needs of assigned job duties and to prevent incompatible system access.

By not adequately limiting access to the systems, the department significantly increased its risk of fraud.

Recommendations

- *The department should eliminate unnecessary employee access to the cash and food benefits system's warrant payment file.*
- *The department should eliminate incompatible access to systems when possible or design effective mitigating controls.*
- *The department should ensure its security documentation is complete and accurate.*

Minnesota Department of Human Services Response:

Department Response #5-1

The department agrees with this recommendation. Access for the 25 employees to the warrant payment file was removed July 2010.

Person Responsible: Kate Wulf, TSS Director

Estimated Completion Date: Completed

Department Response #5-2

The department agrees with this recommendation. For those staff whose job responsibilities require access which is potentially incompatible, e.g., the ability to pay claims and enroll providers, reports need to be designed, created and reviewed to audit their activities.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: December 31, 2010

Department Response #5-3

The department agrees with this recommendation. The Health Care Operations security group documentation is complete and accurate.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: Completed

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-6 *Lack of reconciliation of subsystem data*

6. The Department of Human Services did not reconcile its data warehouse to Medical Assistance system data.

The department did not verify that the financial activity recorded in its data warehouse included all claims authorized through the Medical Assistance system (MMIS). Rather than verifying that record counts and dollar amounts of transactions accurately uploaded from the Medical Assistance system to the department's warehouse, department staff checked to see whether the number of records increased by around the usual amount. Because the department used its data warehouse as its main source of payment information and as a basis for federal and state financial reporting, management may make decisions or prepare reports based on inaccurate or incomplete information.[12] State policy identifies reconciliations as a key control activity.[13]

Recommendation

- *The department should reconcile its data warehouse to the Medical Assistance system data to ensure accuracy and completeness of information.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation. DHS staff will improve the reports to reconcile the data extracted for the warehouse with the source data and to reconcile the extracts with the data in the warehouse.

Persons Responsible: Adrian Alexander, Healthcare Operations Director
Denise Moreland, Data Warehouse Manager

Estimated Completion Date: June 30, 2011

[12] The department's data warehouse is separate from the state's information warehouse.
[13] Department of Management and Budget policy 0102-01.

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-7 *Lack of controls to limit certain unallowable payments*

7. The Department of Human Services did not did ensure that the Medical Assistance system appropriately limited payments for personal care assistance services.

The department paid for some personal care services that exceeded statutory and policy limitations because it did not adequately monitor the effectiveness of changes it made to the Medical Assistance system (MMIS).

In January 2009, the Office of the Legislative Auditor's Program Evaluation Division issued a report on the department's oversight of personal care assistance services.[14] The report identified instances in May 2008 when the department had paid for services exceeding 24 hours in a day. Fundamentally, a provider cannot work more than 24 hours in a day. In August 2009, to respond to this issue and implement other legislative and policy changes (including a monthly provider limit of 275 hours per month[15]), the department made changes to the Medical Assistance system intending to prevent payments to personal care service providers for more than 24 hours in a day and 275 hours in a month. However, in May 2010, a newspaper article reported that the department was still making these excessive payments to providers.[16]

Our analysis of data in the department's information warehouse for the period from July 2009 through June 2010 identified payments to personal care assistance providers totaling about $5,600 for hours exceeding 24 in a day and about $200,000 for hours exceeding 275 per month.

[14] Office of the Legislative Auditor, Program Evaluation Report, Personal Care Assistance, January 2009.
[15] *Minnesota Statutes* 2009, 256B.0659, subd. 11. The Minnesota Legislature established a 310 hour per month limit in statute; however, due to the Governor's unallotment in this program, the department lowered the limit to 275 hours.
[16] *Star Tribune*, "Overbilled? State Pays Anyway," May 26, 2010.

The inappropriate payments occurred because the system changes did not work as intended, and the department had not monitored the effectiveness of the changes. The department made additional changes to the Medical Assistance system in May 2010 that it believes correctly limited payments to personal care assistance services.

In addition, the department did not monitor personal care assistance claims it paid for services provided to a recipient (by multiple providers) for more than 24 hours in a day. In most cases, a recipient cannot receive more than 24 hours of services in a day but, under certain circumstances, *Minnesota Statutes* raised that limit to 28 hours, such as for a recipient on a ventilator.[17] However, the department programmed the Medical Assistance system to prevent payments for claims exceeding 31 hours. Our analysis of data in the department's information warehouse, for the period from July 2009 through April 2010, identified 40 claims where the department paid for more than 24 hours of personal care assistance services per recipient; 31 of those claims were for more than 28 hours of care. The department did not monitor the volume, frequency, or appropriateness of the payments to ensure that they complied with statutory criteria.

Recommendations

- *The department should recover the overpayments to personal care attendants.*
- *The department should validate the changes made in May 2010 to ensure that they prevent payments to personal care assistance providers for services exceeding 24 hours in a day or 275 hours in a month.*
- *The department should limit personal care assistance hours per recipient to the limits set in policy and statute or design effective ways to identify, monitor, and investigate payments for recipients receiving more care than allowed.*

Minnesota Department of Human Services Response:

Department Response #7-1

The department agrees with the recommendation. The Department is in the process of identifying overpayments made to Personal Care Provider Organizations (PCPOs) for services provided by individual Personal Care Attendants (PCAs) that exceeded 24 hours per day or 275 hours per month. Once we have fully identified all of the overpayments, we will begin the process of recovering the overpayments from the PCPOs.

Person Responsible: Alex Bartolic, Disability Services Director

Estimated Completion Date: January 1, 2011

[17] *Minnesota Statutes* 2009, 256B.0652, subd. 7.

Department Response #7-2

The department agrees with the recommendation. The Department has thoroughly tested and has verified that the edits to prevent overpayments to PCPOs for services provided by individual PCAs that exceed 24 hours in a day or 275 hours in a month are working properly.

Person Responsible: Alex Bartolic, Disability Services Director

Estimated Completion Date: Completed

Department Response #7-3

The department agrees with the recommendation. The department will identify, monitor and investigate payments through a regular report of claims with over 24 hours of service provided to a single recipient with more than one assistant to assure that care was necessary and allowable for the needs of the recipient. This report will be added to a regular review of data that is currently conducted by the department, and payment will be recovered if claims are not supported by individual needs for that level of service.

Person Responsible: Alex Bartolic, Disability Services Director

Estimated Completion Date: December 31, 2010

Report 10-34

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778 Medical Assistance
93.778 ARRA – Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 10-34-8 *Lack of controls to limit certain unallowable payments*

8. The Department of Human Services lacked controls in the Medical Assistance system to prevent payments for Individualized Education Program procedures provided in the home.

The Medical Assistance system (MMIS) allowed payments for Individualized Education Program services provided in a recipient's home, in violation of department policy, which limits payment for these services to those provided in a school setting.[18] From July 2009 through April 2010, the department paid $104,200 for these services not allowed to be provided in a home setting. We asked department staff to review these transactions. They concluded that the providers had miscoded the transactions and should have identified the services as being provided in a school setting, which would have been an allowable cost. By not having adequate controls in the Medical Assistance system, the department could have incurred unallowable costs.

Recommendation

- *The department should implement system controls to prevent payments for Individualized Education Program services provided in a home setting.*

[18] Department of Human Services' Individualized Educational Program – Technical Assistance Guide.

Minnesota Department of Human Services Response:

Department Response #8

The department agrees with the recommendation regarding payments for the following Individualized Education Program (IEP) services: personal care assistant services, assistive technology devices and special transportation. An edit has been added to prevent payments for these services when provided in a home setting. However, Minnesota public schools are responsible for providing covered "related services" to all eligible children under the age of 21 and there are situations in which schools may need to provide services in a home setting. Examples of such situations include: children who are home-bound for medical reasons, home-schooled, or young children (birth through age four) who do not yet attend school. Therefore, the following IEP services can be provided in a home setting: physical therapy, occupational therapy, speech-language and hearing therapy, mental health services, nursing services, and interpreter services.

Person Responsible: Adrian Alexander, Healthcare Operations Director

Estimated Completion Date: Completed

Report 11-06

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Labor

CFDA Numbers/Program Names:

17.225 ARRA – Unemployment Insurance

Questioned Costs: $3,219,000

Federal Project Nos./Award Year: The federal government does not assign grant numbers for Unemployment Insurance benefits

<u>Finding 11-06-1</u> *<u>No identification and recovery of overpaid $25 supplement and certain benefit extensions.</u>*

1. **The Department of Employment and Economic Development did not identify and recover up to $3.2 million of estimated overpaid unemployment insurance benefits for the Federal Additional Compensation Program and $19,660 of other benefit extensions.**

During fiscal year 2010, the department did not identify and recover up to $3.2 million[19] of Unemployment Insurance Program (CFDA 17.225[20]) estimated overpayments for the Federal Additional Compensation Program.[21] Through the Additional Compensation Program, which was authorized by the American Recovery and Reinvestment Act (Recovery Act), the department supplemented regular unemployment benefits with $25 weekly payments, which totaled about $211 million in fiscal year 2010. The department's unemployment insurance computer system has edits to detect overpayments for regular and extended unemployment benefits. However, those edits did not identify and track overpayments of the weekly $25 supplement payments to recipients for weeks they were not eligible for unemployment benefits.

The federal government first alerted department management to this problem in September 2009 when the Office of Inspector General reported on how well states had implemented the $25 supplemental payment.[22] According to the report, the department stated it would begin recovery

[19] The $3.2 million estimate of overpaid Federal Additional Compensation was determined using the ratio of benefit overpayments to the total benefits paid for fiscal year 2010 multiplied by the annual level of Federal Additional Compensation received by the State of Minnesota.
[20] The federal government does not assign grant numbers for Unemployment Insurance benefits.
[21] The American Recovery and Reinvestment Act authorized a temporary Federal Additional Compensation Program that provided a $25 supplement to the weekly benefit allowance for eligible recipients.
[22] U.S. Department of Labor, Office of Inspector General Report number 18-09-004-03-315, dated September 30, 2009 - *RECOVERY ACT: States have aggressively implemented the $25 weekly supplemental unemployment benefit, but some challenges remain.*

of these overpayments once it had completed its reprogramming of the computer system in October 2009. However, as of March 2011, the department had not developed a process to identify or pursue recovery of these overpayments. The federal government requires states to identify, recover, and report any overpayments of Federal Additional Compensation.[23]

In addition, the department overpaid five applicants a total of $19,660 of extended unemployment benefits funded through the Recovery Act. The overpayments resulted from applicants receiving more weeks of eligibility than allowed by the extended benefit programs. Although the department's unemployment system produced a report to identify these overpaid benefits, employees did not follow-up on these exceptions to establish and track the overpayment recovery. Extended benefits are available to workers who have exhausted regular unemployment insurance benefits during periods of high unemployment.

Recommendations

- *The Department of Employment and Economic Development should identify, recover, and report overpayments of the Federal Additional Compensation and work with the federal government to resolve the overpayments it made.*

- *The department should review unemployment system reports designed to ensure that it only provides benefits to applicants for the number of weeks allowed by each extended benefit program and recover the overpayments it made to the five applicants.*

Minnesota Department of Employment and Economic Development Response:

Response: The department agrees with the finding and the recommendations. The American Recovery and Reinvestment Act was enacted on February 17, 2009 and authorized the FAC payments effective February 22, 2009. As we were required to implement this program very quickly, our first focus was on getting the additional benefit payments issued to UI applicants.

In 2009, DEED contracted with a vendor to enhance and improve UI computer applications and address various law changes and the FAC overpayment issues. The technical complexity of writing and accounting for FAC overpayments was much more challenging than originally anticipated. Furthermore, there have been five separate occasions of Extended Unemployment Compensation (EUC) phase out and retroactive phase in from late 2009 through 2010 by the federal government. These actions have consumed a tremendous amount of DEED staff time and technical resources, leaving little time available for working on the FAC overpayment issues. Only recently have we been able to begin working with the vendor again to address FAC overpayments.

[23] U.S. Department of Labor's Unemployment Insurance Program Letter 11-09, dated February 23, 2009.

DEED has an internal control report that identifies applicants who have received more than the maximum allowable amount of benefits. Due to the tremendous volume and benefit program complexity experienced during fiscal year 2010, staff sometimes fell behind in working the report. DEED has followed up on the five applicants identified in the audit report and the necessary corrections have been made. Keith Goodwin, Unemployment Insurance Division Director, will oversee resolution of this finding by September 30, 2011.

Person Responsible: Keith Goodwin, Unemployment Insurance Division

Estimated Completion Date: September 30, 2011.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 11-06

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Education
U.S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
84.126	Vocational Rehabilitation
84.390	ARRA-Vocational Rehabilitation

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See footnotes

Finding 11-06-2 *No identification and monitoring of internal controls ensuring compliance.*

2. Prior Finding Partially Resolved: The Department of Employment and Economic Development did not fully identify and monitor its internal controls to ensure compliance with federal requirements.

The department developed a risk assessment and began to identify compliance controls that mitigate the risk of federal program noncompliance. However, the department's risk assessment did not adequately identify needed controls or how management would monitor those controls to ensure they are operating as intended. The department's risk assessment had the following weaknesses:

- Certain internal controls the department described in its assessment were federal compliance requirements rather than actual control procedures to ensure those requirements are met. Financial and program management should work to specify the control procedures and to prescribe expectations that provide the necessary assurances for

Unemployment Insurance administration (CFDA 17.225[24]), Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260)[25] and Vocational Rehabilitation Cluster (CFDA 84.126 and 84.390).[26]

- Department controls did not address the risk of inaccurate federal financial and program reports. The department submits a wide variety of financial and program reports to the federal government for its Unemployment Insurance (CFDA 17.225[27]), Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260) and Vocational Rehabilitation Cluster (CFDA 84.126 and 84.390) programs. However, the reports are prepared and submitted by several employees without any independent review by a supervisor or other employee prior to submission. By not adequately reviewing federal financial reports, the department increased the likelihood of errors and the risk of noncompliance.

- The department also did not have an independent review of its draft federal Schedule of Federal Awards submitted to the Department of Management and Budget. If the department had conducted an independent review, it may have detected that it had overstated expenditures by approximately $493,000 for the Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260). Management has the responsibility to complete a supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.[28]

- The department did not monitor the internal controls identified in its risk assessment to ensure compliance with requirements for the federal Workforce Investment Act Cluster (CFDA 17.258, 17.259, and 17.260) and Vocational Rehabilitation Cluster (CFDA 84.126 and 84.390). Without monitoring, department management may not know whether its staff performed the internal control procedures as intended and whether those controls were effective in reducing the risk of noncompliance.

State policy states that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[29] The federal government expects management

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[24] Federal Grant UI-18028-09-55-A-27 and UI-19590-10-55-A-27 (Unemployment Insurance Administration, Emergency Compensation, and Trade Benefits); however, federal grant numbers are not used for Unemployment Insurance benefits.
[25] Federal Grant AA-18648-09-55-A-27 and ARRA AA-17129-08-55-A-27.
[26] Federal Grant H126A090032, H126A090033, H126A100032C, H126A100033C, H390A090032, and H390A090033.
[27] Federal Grant UI-18028-09-55-A-27 and UI-19590-10-55-A-27 (Unemployment Insurance Administration, Emergency Compensation, and Trade Benefits); however, federal grant numbers are not used for Unemployment Insurance benefits.
[28] OMB Circular A-133 Compliance Supplement 2010, Part 6 – Internal Control.
[29] Department of Management and Budget Policy 0102-01.

to take responsibility for effective internal controls over its financial operations and compliance with federal program requirements.

Recommendation

- *The department should improve its internal control structure ensuring compliance with federal requirements by:*
  - *identifying specific controls that mitigate risk of noncompliance;*
  - *assessing the criticality and need for independent review of federal reports and determining the cost-benefit of a second review prior to submission to the federal government;*
  - *reviewing the accuracy of federal schedules sent to the Department of Management and Budget; and*
  - *monitoring the designed controls to provide management with the assurance that they are operating as intended.*

Minnesota Department of Employment and Economic Development Response:

Response: The department agrees with the finding and the recommendation. The department has made substantial progress in assessing risks, identifying related controls, and in performing selected monitoring activities although recognizes that there is always room for improvement and this will be an ongoing process. DEED will consider the cost/benefit relationship of implementing additional controls and monitoring activities and will implement additional procedures to address the most critical risks. Cindy Farrell, Chief Financial Officer, will oversee resolution of this finding by September 30, 2011.

Person Responsible: Cindy Farrell, Chief Financial Officer

Estimated Completion Date: September 30, 2011.

Report 11-07

State Agency: Minnesota Department of Public Safety

Federal Agency: U.S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Recovery Public Assistance Program

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Available

Finding 11-07-1 *Inadequate internal control structure over Single Audit requirements.*

1. **Prior Finding Partially Resolved:[30] The Department of Public Safety did not identify, analyze, and document its internal controls over compliance with federal single audit requirements for the Disaster Recovery Public Assistance Program (CFDA 97.036).**

The department did not document its risk assessment for internal controls over compliance with general and specific federal program compliance requirements and did not establish a monitoring process to assess the quality of internal control performance over time. The department was aware of certain risks, had many control activities in place, and performed selected internal control monitoring functions. In fiscal year 2010, the department worked with the Department of Management and Budget's internal control and accountability unit to determine some best practices for developing a comprehensive risk assessment.[31]

State policy requires that the agency head is responsible to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[32] This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. Audit standards reinforced

[30] Office of Legislative Auditor's Financial Audit Division Report 10-04, *Department of Public Safety Federal Compliance Audit,* issued March 4, 2010.
[31] A comprehensive risk assessment includes identifying and analyzing the risks, designing controls to address significant risks, and developing monitoring procedures to ensure that controls were in place and effective to reduce the significant risks identified.
[32] Department of Management and Budget Policy Number 0102-01.

management's responsibility to have effective internal controls over its financial operations.[33] The federal government expects that those controls also ensure compliance with federal program requirements.

The department has an increased risk of noncompliance and weaknesses in internal controls over compliance until it fully implements a comprehensive internal control structure over the administration of federal programs.

Recommendation

- *The Department of Public Safety should frequently review and clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

Minnesota Department of Public Safety Response:

The department has worked on identifying risks, implementing controls, and monitoring control activities. Moving forward, documentation of these efforts is essential. We are aware of the significance and importance of these activities. To resolve this finding, we have been reviewing agency Internal Control policy, performed an Internal Control Assessment, created an Internal Audit Committee, and continued work to fill our Internal Auditor position. Filling this position has been problematic, but a renewed effort is now underway. This position is critical to help us with this internal control process, thereby resolving this finding.

Person Responsible: Larry Freund, CFO, Office of Fiscal & Administrative Services

Estimated Completion Date: September 30, 2011

[33] American Institute of Certified Public Accountants, *Statement on Auditing Standards #109: Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*.

Report 11-09

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.069	Public Health Emergency Preparedness & Response
93.268	Immunization Grants
93.712	ARRA – Immunization Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year:
1H75TP000348-01
1U90TP000194-01
3U90TP516981–10S1
5H23IP522551-07
5H23IP522551-08
5U90TP516981–09
5U90TP516981–10
3H23IP522551 – 07S2
3U50CI000483 – 03S2
3U01CI000313 – 05S4
3H23IP522551 – 07S1

Finding 11-09-1 *No documented internal control structure ensuring compliance*

1. **Prior Finding Partially Resolved:[34] The Department of Health did not identify, analyze, and document its internal controls related to business operations and the schedule of federal expenditures.**

During fiscal year 2010, the department made some progress in the development of certain aspects of their comprehensive internal control structure. These improvements included completing a self-assessment tool from the Department of Management and Budget and drafting risk assessments for the Immunization Grants Program. In addition, the department hired an internal audit director to take the lead on finalizing risk assessments for all major processes at the department. Although the department made progress toward developing a more comprehensive internal control structure, the department had not fully assessed and documented its risks over

[34] Office of Legislative Auditor's Financial Audit Division Report 10-03, *Department of Health Federal Compliance Audit*, issued March 4, 2010.

compliance with federal single audit requirements for its major federal programs or other significant financial control cycles. As a result, the department continued to have some deficiencies in control procedures and specific noncompliance with federal requirements that were not prevented or detected by the department's current monitoring and review processes. These deficiencies are presented as Findings 2 through 4 of this report.

State policy stipulates that agency management has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[35] This policy also requires communication of the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. Audit standards reinforced management's responsibility to have effective internal controls over its financial operations.[36] The federal government expects that those controls also ensure compliance with federal program requirements.

A comprehensive internal control structure is critical to preparing an accurate Schedule of Expenditures of Federal Awards and safeguarding federal resources. The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures especially when the department's environment changes. The department had numerous changes in financial management staff during fiscal year 2010. Without a comprehensive control structure as a guide, new staff may not understand and perform the required processes as a more experienced staff would, which may lead to the increased risks of errors or fraud occurring without detection, and may have contributed to the control deficiencies discovered during this audit. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

Recommendation

- *The department should continue to develop its comprehensive internal control structure by regularly reviewing and clearly documenting its risks, control activities, and internal control monitoring functions for federal program requirements.*

[35] Department of Management and Budget Policy Number 0102-01.
[36] American Institute of Certified Public Accountants *Statement on Auditing Standards #109: Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*.

Minnesota Department of Health Response:

The department concurs with this recommendation. In January 2011, the department hired an Internal Audit Director who is actively working on this process with department management and staff. Amy Jorgenson is responsible for implementation of this recommendation for major federal programs by June 30, 2011.

Person Responsible: Amy Jorgenson, Internal Audit Director

Estimated Completion Date: June 30, 2011.

Report 11-09

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.712 ARRA – Immunization Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 3H23IP522551 – 07S2
3U50CI000483 – 03S2
3U01CI000313 – 05S4
3H23IP522551 – 07S1
3H23IP522551 – 07S2.

<u>**Finding 11-09-2**</u> <u>*Did not accurately report ARRA funds or notify subrecipients of ARRA requirements*</u>

2. The Department of Health did not accurately report American Recovery and Reinvestment Act (ARRA) funds to the federal government and did not communicate necessary requirements to subrecipients receiving ARRA funds.

The department did not accurately report to the federal government the amount of American Recovery and Reinvestment Act (ARRA) funds received and expended for the quarter ended June 30, 2010. For the Immunization and Vaccines for Children Grants Program (CFDA 93.712[37]), the department erroneously reported $113,426 (the same amount it reported for the quarter ended March 31, 2010), instead of $247,214, the correct amount for the quarter ended June 30, 2010. In addition, the department omitted $18,426 from its report for the quarter ended September 30, 2010. As a result, the information available on the federal ARRA website (www.recovery.gov) was not accurate for the reporting period. An independent review at the department and at the Department of Management and Budget did not detect these errors.

Federal regulations require the state to report total expenditures, total receipts, and other funding detail on a quarterly basis to the federal government.[38, 39] This reporting requirement provides the public with more transparency and increases accountability of agencies administrating ARRA funds.

[37] Federal Award 3H23IP522551 – 07S2.
[38] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements – Section L – Reporting.
[39] American Recovery and Reinvestment Act of 2009, Public Law 111-5, Title XV – Accountability and Transparency, Section 1512.

In addition, for the Immunization Grants Program (CFDA 93.712[40]), the department did not provide subrecipients with specific federal award numbers or formally communicate the requirement to separately report ARRA funds for inclusion on the Schedule of Expenditures of Federal Awards. The federal government requires pass-through entities, like the state, to identify the federal award number, CFDA number, and the amount of ARRA funds paid to grantees. Moreover, pass-through entities must inform subrecipients that they need to separately disclose ARRA funds[41] on their Schedule of Expenditures of Federal Awards and other expenditure reports. The lack of formal communication of federal requirements to subrecipients may lead to errors at the local level in reporting correct information to the department and, ultimately, to the federal government.

Recommendations

- *The department should improve its monitoring and review controls over federal quarterly ARRA reporting requirements to ensure that it submits accurate and complete information to the federal government.*

- *The department should formally communicate to its subrecipients the necessary federal grant identification information and the requirements for separate reporting of ARRA funds on the Schedule of Expenditures of Federal Awards*

Minnesota Department of Health Response:

The department concurs with this recommendation. Another level of review will be implemented to ensure that the department reports correct numbers to Minnesota Management and Budget. Virginia Davis and Terry Smith are responsible for implementation of this recommendation starting with the report due for the quarter ended June 30, 2011.

Persons Responsible:	Virginia Davis, Assistant Division Director, Financial Management Terry Smith, Federal Grants Coordinator
Estimated Completion Date:	June 30, 2011

[40] Federal Awards 3U50CI000483 – 03S2, 3U01CI000313 – 05S4, 3H23IP522551 – 07S1 and 3H23IP522551 – 07S2.
[41] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements – Section L – Reporting; and Appendix VII, Other OMB Circular A-133 Advisories, June 2010.

Report 11-09

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.069 CDC – Public Health Emergency Preparedness
93.268 Immunization Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 5H23IP522551 – 07
5U90TP516981 – 09

Finding 11-09-3 *Inappropriately charged federal program costs to prior grant award period*

3. The Department of Health inappropriately charged some federal program costs to a prior grant award period.

The department charged some federal program costs to a prior grant period, although those costs were not obligations of that prior grant period. Federal regulations only allow the state to charge costs resulting from obligations incurred during the specific funding period of the grant award.[42, 43] The department did not have controls in place to ensure that it complied with this requirement.

The department inappropriately charged the following costs to the prior grant period:

- The department charged $2,221 for costs it incurred between May and July 2010 in the Immunization Grant Program (CFDA 93.268[44]) to the prior grant award period (January 2009 to December 2009). After being made aware of the error by the auditors, the department corrected the error and charged these costs to the 2010 grant period.
- The department charged $2,696 of salary and fringe benefits incurred between November 2009 and March 2010 for the Public Health Emergency Preparedness Bioterrorism Grant Program (CFDA 93.069[45]) to the grant award period ending August 9, 2009. After being made aware of the error by the auditors, the department stated that it was unable to correct the error because it had closed out the grant.

[42] U.S. Office of Management and Budget Circular A-133, Part 3 – Compliance Requirements.
[43] Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-federal entity during the same or a future period.
[44] Federal Award 5H23IP522551 – 07.
[45] Federal Award 5U90TP516981 – 09.

Recommendations

- *The department should establish controls to ensure that it charges costs to the correct grant period.*
- *The department should work with the federal grantor agency to determine the appropriate resolution of the uncorrected costs charged to the wrong grant period.*

Minnesota Department of Health Response:

The department concurs with this recommendation. The department will make changes to its grant template to communicate the necessary elements of federal ARRA awards to subrecipients. Virginia Davis is responsible for implementation of this recommendation immediately.

The department concurs with this recommendation. Virginia Davis is responsible to enhance controls in this area by June 30, 2011.

The department concurs with this recommendation. Virginia Davis and Terry Smith are responsible to communicate with HHS to resolve the matter by June 30, 2011.

Persons Responsible:	Virginia Davis, Assistant Division Director, Financial Management Terry Smith, Federal Grant Coordinator
Estimated Completion Date:	April 15, 2011 and June 30, 2011

Report 11-09

State Agency: Minnesota Department of Health

Federal Agencies: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.069	Public Health Emergency Preparedness & Response
93.268	Immunization Grants
93.712	ARRA – Immunization Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 1H75TP000348-01
1U90TP000194-01
3U90TP516981–10S1
5H23IP522551-07
5H23IP522551-08
5U90TP516981–09
5U90TP516981–10

<u>Finding 11-09-4</u> *<u>Did not accurately record the liability date in the state's accounting system</u>*

4. The Department of Health did not accurately record the liability date for certain transactions in the state's accounting system.

The department did not always correctly record in the state's accounting system the date when the state incurred a liability or recognized a receipt. The state uses the record date to determine in which fiscal year to recognize the transaction for financial reporting to the federal government.

The department had the following record date errors in major federal programs transactions we tested:

- The department did not accurately record the record date for 18 of 61 tested expenditures for administrative goods and services funded by the Immunization Grants (CFDA 93.268 and 93.712) and Public Health Emergency Preparedness and Response (CDFA 93.069[46])

[46] Federal Awards 5U90TP516981 – 09, 5U90TP516981 – 10, 3U90TP516981 – 10S1, 1U90TP000194 – 01 and 1H75TP000348 – 01.

programs. Six of the errors resulted in the state recognizing the expenditure in the wrong fiscal year, understating fiscal year 2010 federal expenditures by a total of $10,144.[47]

- The department did not use the correct record date for 61 of 90 payments related to immunization practices improvement site visits under the Immunization Grants Program (CFDA 93.268[48]). As a result, the department coded $12,650 for services completed by June 30, 2009, as fiscal year 2010 expenditures and coded $18,650 for services completed by June 30, 2010, as fiscal year 2011 expenditures.

- The department did not use the correct record date for 12 of 13 monthly rebates received from baby formula manufacturers through the Special Nutrition Program for Women, Infants and Children (CFDA 10.557). At the end of the year, the department did detect and correct the record date for a rebate of over $2.5 million; without the correction, the rebate would have been recognized in the wrong fiscal year on the Schedule of Expenditures of Federal Awards. The department could more effectively prevent errors by using correct record dates throughout the year, rather than relying on a year-end analysis to detect errors.

While these errors were immaterial to the overall expenditures of these major federal programs, the department has an increased risk that these control weakness and undetected errors could potentially lead to material errors on the Schedule of Expenditures of Federal Awards.

Recommendation

- *The department should ensure that it uses the correct record date to identify liabilities and recognize revenue in the state's accounting system.*

Minnesota Department of Health Response:

The department concurs with this recommendation. A solution for the WIC rebate revenue has already been implemented. The department will coordinate efforts between program and fiscal staff to resolve record date issues for other types of expenditures, and will continue to monitor compliance once SWIFT is in place. Virginia Davis is responsible to implement this recommendation by the close of fiscal year 2011.

Person Responsible: Virginia Davis, Assistant Division Director, Financial Management

Estimated Completion Date: June 30, 2011

[47] Total split between Immunization Program ($4,914) and Public Health Emergency Response Program ($5,230).
[48] Federal Awards 5H23IP522551 – 07 and 5H23IP522551 – 08.

Report 11-10

State Agency: Minnesota Department of Commerce

Federal Agency: U.S. Department of Energy

CFDA Numbers/Program Names:

81.042 Weatherization Assistance for Low Income Persons
81.042 ARRA - Weatherization Assistance for Low Income Persons

Questioned Costs: $141,802 (ARRA-81.042)

Federal Project Nos./Award Year: #DE-EE0000653
#DE-EE0000103

Finding 11-10-1 *Inadequate monitoring of service provider compliance with certain federal requirements*

1. **The Department of Commerce did not adequately perform certain monitoring procedures designed to ensure that local service providers complied with federal requirements of the Weatherization Assistance for Low-Income Persons Program.**

The Department of Commerce did not adequately monitor service providers[49] for compliance with certain federal requirements applicable to the Weatherization Assistance for Low-Income Persons Program (CFDA #81.042[50] and #81.042 ARRA[51]). Local service providers distribute the program's financial assistance to eligible low-income households to improve the energy efficiency of their homes. The department developed a system to monitor local service provider compliance with federal requirements; however, it had the following weaknesses in its monitoring practices:

- Cost Savings Requirement – The department did not adequately monitor local service providers to ensure compliance with the cost savings requirement contained in federal regulations and in the state plan approved by the federal government. Federal regulations require that funds used for weatherization improvements result in energy cost savings over the lifetime of the improvement that is equal to or greater than the cost of materials and installation. The state plan states that the department will monitor the cost savings by comparing the cost of the improvement to the estimated energy savings. If the savings do not

[49] Service providers are agencies that serve Weatherization Assistance clients at the local level including community action programs, tribal boards, and nonprofit organizations. Currently, the department has 32 service providers geographically dispersed around the state of Minnesota.
[50] Federal Grant Award #DE-EE0000653.
[51] Federal Grant Award #DE-EE0000103.

exceed the costs, the planned improvements are not an effective use of weatherization assistance funds. For fiscal year 2010, the department may have inappropriately reimbursed as much as $141,802 to local service providers for improvements of 74 dwellings (out of 8,554 dwellings improved) where the energy savings did not exceed the cost of the improvement.

- Service Provider Monitoring – The department did not always comply with state plan requirements to monitor service providers by performing field visits and fiscal reviews. Field visits involve monitoring and inspecting the project to ensure that work was appropriate, the monitoring tool was updated, and any corrective actions were addressed. Of the 22 service provider field visits completed by the department, 5 did not have a completed monitoring tool on file, 8 did not have a written report completed in 30 days, and 10 did not show that concerns raised in the reviews were tracked by the department to ensure resolution. In addition, the department did not complete a second fiscal review for any service providers for fiscal year 2010; the state plan calls for two fiscal reviews. Fiscal reviews address the service provider's tracking and documentation of project expenditures and are important to provide department management with assurance that service providers are appropriately spending weatherization grant awards.

- Prevailing Wage Requirements – Prior to December 31, 2009, the department did not adequately ensure that local service providers paid workers providing weatherization services the prevailing wage, as required by the Davis-Bacon Act.[52] The department required the service providers to submit payroll information to demonstrate compliance with Davis Bacon requirements. However, 4 of 13 providers we tested did not submit the required certified weekly payroll during early periods of fiscal year 2010. As a result, the department could not verify compliance.

Recommendations

- *The department should obtain written direction from appropriate federal officials on how to resolve the federal funds used for weatherization improvements that did not achieve an energy savings.*

- *The department should improve monitoring of local service providers to ensure compliance with federal Davis Bacon requirements and provider monitoring required in its state plan for the Weatherization Assistance for Low-Income Persons Program.*

[52] The federal Davis-Bacon Act requires contractors and subcontractors receiving federal grants to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

Minnesota Department of Commerce Response:

Response: The Department agrees with the finding and will work with U.S. Department of Energy staff to resolve ambiguities in the Weatherization Assistance Program state plan regarding how and when the decision is made to install energy measures. Processes have been improved to ensure that monitoring is conducted in accordance with federal requirements. Stronger systems are now in place to ensure compliance with the federal Davis Bacon requirements. Commerce's State Energy Office manager (Janet Streff) and Weatherization Assistance Program supervisor (Marilou Cheple) will be primarily responsible for these efforts. These efforts will be completed by June 30, 2011.

Persons Responsible:	Janet Streff, State Energy Office Manager Marilou Cheple, Weatherization Assistance Program Manager
Estimated Completion Date:	June 30, 2011

Report 11-10

State Agency: Minnesota Department of Commerce

Federal Agency: U.S. Department of Energy
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

81.041	State Energy Program
81.041	ARRA – State Energy Program
81.042	Weatherization Assistance for Low Income Persons
81.042	ARRA - Weatherization Assistance for Low Income Persons
93.568	Low-Income Home Energy Assistance

Questioned Costs: $117,324

Federal Project Nos./Award Year: See Report 11-10 Table 2.

Finding 11-10-2 *Overcharge of indirect costs to federal programs.*

2. The Department of Commerce overcharged $117,324 of agency indirect costs to federal programs for the fourth quarter ending June 30, 2010.

The department did not use the correct indirect cost rate for the fourth quarter of state fiscal year 2010 when charging agency indirect costs to the federal programs it administers. The department's federally approved indirect cost rate was 11.3 percent for fiscal year 2010; however, the department mistakenly used the 14 percent indirect cost rate approved for fiscal year 2011.

The indirect cost rate proposal is created annually and submitted to the Division of Cost Allocation of the U.S. Department of Health and Human Services. The U.S. Department of Health and Human Services reviews and approves the proposed rate and an agreement is signed with the state Department of Commerce.

The use of the incorrect indirect cost rate resulted in the department overcharging federal programs $117,324, as shown in Table 2.

Table 2
Summary of Indirect Cost Overcharges by Federal Program
Fiscal Year 2010

CFDA[1]	Program Name	Amounts
Major Programs:		
81.042	Weatherization Assistance for Low-Income Persons[2]	$ 4,718
81.042	ARRA – Weatherization Assistance for Low-Income Persons[3]	$ 27,712
	Total Weatherization Assistance	$ 32,430
93.568	Low-Income Home Energy Assistance[4]	$ 51,319
Non-Major Programs:		
81.041	State Energy Program[5]	$ 9,912
81.041	ARRA – State Energy Program[6]	$ 19,983
	Total State Energy Program	$ 29,895
N/A	Other Non-Major Federal Programs	$ 3,680
	Total	$117,324

[1] The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.
[2] Federal Grant Award #DE-EE0000653
[3] Federal Grant Award #DE-EE0000103
[4] Federal Grant Award #G-09B1MNLIEA and #G-10B1MNLIEA
[5] Federal Grant Award #DE-FG26-07NT43166
[6] Federal Grant Award #DE-EE0000164

Source: Auditor created from the Department of Commerce's accounting records for fiscal year 2010.

Recommendation

- *The department should correct the indirect cost overcharges of $117,324 and improve internal controls to ensure that indirect costs are accurately charged to federal programs.*

Minnesota Department of Commerce Response:

Response: The department agrees. The department concurs with this finding and has corrected the overcharge. Indirect cost charges will now be reviewed by the accounting director prior to processing. Commerce's Financial Management Director (Tim Jahnke) has already corrected the overcharge.

Person Responsible: Tim Jahnke, Financial Management Director

Estimated Completion Date: April 18, 2011

Report 11-10

State Agency: Minnesota Department of Commerce

Federal Agency: U.S. Department of Energy

CFDA Numbers/Program Names:

81.042 ARRA - Weatherization Assistance for Low Income Persons

Questioned Costs: $426,523

Federal Project Nos./Award Year: #DE-EE0000653
#DE-EE0000103

Finding 11-10-3 *No recovery of disallowed costs reimbursed to suspended service provider*

3. The Department of Commerce has not yet recovered disallowed expenditures totaling $426,523 for the Weatherization Assistance for Low-Income Persons Program reimbursed to a local service provider that it suspended.

In November 2009, the Department of Commerce suspended payments to a local service provider (Tri Valley Opportunity Council, Inc., located in Crookston, Minnesota) from the federal Weatherization Assistance for Low Income Persons Program (CFDA #81.042[53] and 81.042 ARRA[54]). Following the suspension, the department allowed the local service provider several opportunities to remedy the missing documentation and to justify the disallowed costs. However, on April 11, 2011, based on guidance it received from the federal Department of Energy and after investigating the provider's lack of accountability and widespread problems with missing documentation, the department notified the service provider that it was terminating the grant agreement. Before the suspension, the department had paid the local service provider $432,279 for weatherization assistance costs. The department is seeking recovery of $426,523 for the undocumented or unallowable costs.

Recommendation

- *The department should seek recovery of the $426,523 of weatherization assistance expenditures that did not comply with the federal program requirements.*

[53] Federal Grant Award #DE-EE0000653
[54] Federal Grant Award #DE-EE0000103

Minnesota Department of Commerce Response:

Response: The Department concurs and is implementing the steps necessary to recover the funds. Commerce's State Energy Office manager (Janet Streff) will be primarily responsible for this effort. The expected time frame to recover funds is by approximately September 30, 2011.

Person Responsible: Janet Streff, State Energy Office Manager

Estimated Completion Date: September 30, 2011

Report 11-10

State Agency: Minnesota Department of Commerce

Federal Agency: U.S. Department of Energy

CFDA Numbers/Program Names:

81.042 ARRA - Weatherization Assistance for Low Income Persons

Questioned Costs: None - Procedural finding only.

Federal Project Nos./Award Year: #DE-EE0000653
#DE-EE0000103

Finding 11-10-4 *No update of inventory records for equipment purchased with federal program funds*

4. The Department of Commerce did not adequately track equipment inventory purchased by local service providers with funds from the federal Weatherization Assistance for Low-Income Persons Program.

The department did not update its equipment records with specific information for vehicles and other weatherization equipment purchased by local service providers with funds from the federal Weatherization Assistance for Low-Income Persons Program (CFDA #81.042[55] and 81.042 ARRA[56]) for fiscal year 2010. When the federal government approved the purchase of program vehicles or equipment, the department identified the service provider and type of equipment on its inventory system; however, the department did not update inventory records with the actual date of purchase, vehicle identification numbers or equipment serial numbers, and the final purchase price as called for in federal regulations.[57] Without this key information, the department is unable to identify and track the specific equipment items purchased with federal funding and cannot periodically verify that the local service provider is still in possession of the specific weatherization equipment.

Recommendation

- *The department should improve controls to ensure that it updates its equipment inventory records with specific identification of weatherization vehicles and equipment acquired with federal program funds.*

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[55] Federal Grant Award #DE-EE0000653
[56] Federal Grant Award #DE-EE0000103
[57] 10 CFR 600.232 (2010)

Minnesota Department of Commerce Response:

Response: The Department agrees with this finding. Commerce's Weatherization Assistance Program supervisor (Marilou Cheple) has already improved controls to ensure that its equipment inventory records are updated on a regular basis so that vehicles and equipment acquired with federal program funds are tracked appropriately.

Person Responsible:	Marilou Cheple, Weatherization Assistance Program Supervisor
Estimated Completion Date:	Completed

Report 11-11

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205	Highway Planning and Construction Program
20.200	Highway Research and Program Development Program

Questioned Costs: None **-** Procedural finding only.

Federal Project Nos./Award Year: DTFH61-08-H-00020

<u>Finding 11-11-1</u> <u>*Inaccurate reporting on the draft schedule of expenditures*</u>

5. **The Department of Transportation overstated Highway Planning and Construction Program (CFDA 20.205) expenditures by $18.9 million and understated Highway Research and Program Development Program (CFDA 20.200) expenditures by the same amount on the Schedule of Expenditures of Federal Awards submitted for audit.**

The department erroneously overstated Highway Planning and Construction Program expenditures (CFDA 20.205) by $18.9 million and understated Highway Research and Development Program expenditures (CFDA 20.200[58]) by the same amount on its draft Schedule of Expenditures of Federal Awards. The department identified a discrepancy in amounts when it performed a year-end reconciliation of federal program revenues to expenditures; however, it failed to detect that the project expenditures pertained to a different federal program and did not correct the schedule until the audit brought the error to management's attention.

Recommendation

- *The department should improve internal controls over the preparation of its Schedule of Expenditures of Federal Awards by reviewing source documentation, which includes the CFDA number, for the projects with material variances identified through its reconciliation of federal revenues to program expenditures.*

[58] The expenditures pertained to federal grant award number DTFH61-08-H-00020.

Minnesota Department of Transportation Response:

Response: Mn/DOT believes strongly in financial integrity and concurs with this finding. Mn/DOT is addressing this issue in the following manner:

1. Mn/DOT finance staff will add additional oversight controls and has updated its' written procedure for analyzing federal expenditures to ensure federal awards are reported under the correct CFDA number.

2. With the implementation of SWIFT, all appropriations with federal participation are set up with a CFDA number.

Persons Responsible: Tracy Hatch, Chief Financial Officer
Gerald Wood, Accounting Director

Estimated Completion Date: September 2011

Report 11-12

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants
84.389	ARRA – Title I – Grants to Local Education Agencies
84.391	ARRA – Special Education – State Grants
84.392	ARRA – Special Education – Preschool Grants
84.394	ARRA – State Fiscal Stabilization Funds – Education

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-12 Appendix A

Finding 11-12-1 *No documented internal control structure ensuring compliance*

1. **Prior Finding Partially Resolved: The Department of Education did not identify, analyze, and document its internal controls over compliance with federal single audit requirements.**

The department did not have a comprehensive risk assessment pertaining to its internal controls over compliance with federal single audit requirements.[59] The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

State policy states that each agency head has the responsibility to identify, analyze, and manage business risks that impact an entity's ability to maintain its financial strength and the overall quality of its products and government services.[60] This policy also requires communication of

[59] See Appendix A for listing of affected programs, and award numbers.
[60] Minnesota Management and Budget Policy Number 0102-01.

the internal control policies and procedures to all staff so they understand what is expected of them and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including executive management and those individuals in a position to take corrective action. Audit standards[61] reinforced management's responsibility to have effective internal controls over its financial operations. The federal government expects that those controls also ensure compliance with federal program requirements.

Since the last audit, the Department of Education began to develop its comprehensive internal control structure by performing a review of its control environment, establishing internal control standards, creating an internal control evaluation tool, and establishing an internal control evaluation questionnaire. However, the department had not fully assessed and documented its risks and controls related to compliance with federal program requirements.

A comprehensive control structure has the following key elements:

- Personnel are trained and knowledgeable about federal single audit requirements and applicable policies and procedures.

- Management identifies risks associated with federal single audit requirements and develops policies and procedures to effectively address the identified risks.

- Management continuously monitors the effectiveness of the controls, identifies weaknesses and breakdowns in controls, and takes corrective action.

- Management focuses on continual improvement to ensure an acceptable balance between controls and costs.

Findings 2 and 3 identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements which were not prevented or detected by the department's internal control structure. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

Recommendation

- *The department should frequently review and clearly document its risks, control activities, and internal control monitoring functions for federal program requirements.*

[61] Statement on Auditing Standards #109.

Minnesota Department of Education Response:

The Department agrees with this recommendation and will continue to work on the risk assessment and internal control structure. The Department has and will be working with and through the guidance being provided by the Internal Controls group at Minnesota Management and Budget. With their direction along with dedicating staff to accomplishing this task the Department plans to complete in the next 8 months a plan which will outline the departments approach to risk assessment and its plan to implement a process for improving our controls, and have completed a pilot project by Dec. 31, 2011. The Department plans to complete its risk assessment and analysis and have developed a comprehensive internal control structure for the Department by Dec. 31, 2012. The responsibility for implementation of this finding is with Al Louismet, Agency Accounting Operations Manager.

Person Responsible: Al Louismet, Agency Accounting Operations Manager

Estimated Completion Date: December 31, 2012

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 11-12

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants
84.389	ARRA – Title I – Grants to Local Education Agencies
84.391	ARRA – Special Education – State Grants
84.392	ARRA – Special Education – Preschool Grants
84.394	ARRA – State Fiscal Stabilization Funds – Education

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-12 Appendix A

Finding 11-12-2 *Noncompliance with federal subrecipient monitoring and notification requirements*

2. Prior Finding Not Resolved: The Department of Education did not comply with federal subrecipient monitoring and notification requirements for federal programs.

The department did not adequately monitor subrecipient compliance with federal program requirements for the Special Education Grants to States (CFDA 84.027 and 84.391A), Special Education Preschool Grants (CFDA 84.173 and 84.392A), and Child and Adult Care Food (CFDA 10.558). It also did not adequately notify its subrecipients about certain program information and requirements for all of the programs listed in Appendix A of this report.

Federal regulations required the department to provide reasonable assurance that subrecipients used federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.[62] The department's

[62] OMB Circular No. A-133.

monitoring activities occurred throughout the year and included site visits, regular contact, and reporting the results of its monitoring activities. The department had the following deficiencies in its subrecipient fiscal monitoring of the Special Education and Child and Adult Care Food programs:

- The department did not develop policies or procedures for conducting special education fiscal onsite reviews. These policies and procedures should include documenting, reviewing, and approving the reviews in a timely manner. These policies or procedures should also address the noncompliance and/or corrective action plan follow-up process.

- During fiscal year 2010, the department did not perform its regular special education fiscal monitoring site visits, although it conducted six site visits -- four charter school closures, one misuse of special education funds, and one fiscal year 2009 scheduled fiscal monitoring site visit. Federal regulations required that pass-through entities are responsible for monitoring subrecipients' use of federal awards.[63] The department normally conducted as many as 40 fiscal site visits each year for the special education program. Department management used fiscal year 2010 to review its special education fiscal monitoring practices; the department needed to improve its practices by clarifying the focus of the monitoring, reviewing the prior monitoring process, and reviewing/updating monitoring processes and procedures. This review was not completed before the end of fiscal year 2010.

- The department did not issue reports on its special education site visits in a timely manner. At the time of our fiscal year 2010 audit, the department had not issued reports for six of the twenty-eight fiscal year 2009 site visits and four of the six 2010 site visits. In addition, the department lacked supporting documentation or had inadequate supporting documentation for the findings included in seventeen of the eighteen reports it issued for the fiscal year 2009 special education site visits and one of the six fiscal year 2010 site visits.

- The department did not have adequate controls in place to ensure it received all required subrecipient audit reports from non-school entities for the Child and Adult Care Food Program in a timely manner. The department did not always follow-up on late audits or retain the documentation to support the review. The department also did not review or approve corrective action plans.

In addition, the department could not clearly show that it met its federal requirement to provide subrecipients with required federal award identification. Federal regulations require the department to provide certain federal award information (CFDA, award number, name of federal awarding agency) to subrecipients at the time of the award. For ARRA grants, to maximize transparency and accountability, the department must identify the federal award number and

[63] OMB Circular No. A-133.

CFDA number at the time of the subaward and disbursement of funds and provide notification of federal reporting requirements to subrecipients.[64] The department used annual grant applications, assurances, notifications, and identifying computer system information to provide federal award information and reporting requirements. However, while the notification methods provided some of the required information, we could not determine that the department provided all of the required information to the subrecipients.

Recommendations

- *The department should establish policies and procedures to ensure special education site visits are performed, results are reviewed and reported, appropriate corrective action plans are completed, and instances of noncompliance are resolved in a timely manner.*

- *The department should establish policies and procedures to ensure that it receives all subrecipient audit reports and reviews and tracks the results.*

- *The department should ensure that it provides all required federal award information to subrecipients.*

Minnesota Department of Education Response:

Child and Adult Care Food (CFDA 10.558):

The department agrees with the finding and will implement OLA recommendations number 1 and 2. Policies and procedures will be reviewed and updated to ensure findings are reviewed, reported and corrective action plans are completed. The department will implement a database system to track all the required federal award information provided to sub recipients, required reports are received timely and follow-up is done for the resolution of audit findings or late reporting. Carol Thomas, Director of Safety, Health and Nutrition will be responsible for resolving this finding and the department expects the finding to be fully resolved by July 1, 2011.

Special Education Grants to States (CFDA 84.027 and 84.391A) and Special Education Preschool Grants (CFDA 84.173 and CFDA 84.392A):

The department agrees with this finding and will implement OLA recommendation number 3. The department will take the following actions: The federal award number, awarding agency, and CFDA number will be added to all sub recipient award documents. The federal award number and CFDA number will be added to the budget and draw screens in the SERVS financial system. Lisa Mueller, Budget Director will be responsible for resolving this finding and the department expects the finding to be fully resolved by July 1, 2011.

[64] 2 Code of Federal Regulations – section 176.210 (c, d).

The department will implement recommendation number 1 and has already instituted significant changes to the special education fiscal monitoring process that will ensure that monitoring of compliance with federal requirements for subrecipients is completed. The department procedures require that desk reviews and site visits are performed, results are reviewed and reported, appropriate corrective actions plans are completed, and instances of noncompliance are resolved in a timely manner. Specific details related to the three-tier approach the department uses in conducting this monitoring are reflected in the policy and procedure. The department agrees its prior monitoring process was insufficient and did not always provide the department with the documentation necessary to issue findings. Improving the department internal process is the focus of the department action plan. Donna E. Nelson, Monitoring Supervisor, Division of Compliance and Assistance will be responsible for resolving this finding. The department expects this finding to be resolved by July 1, 2011.

Persons Responsible:	Carol Thomas, Director of Safety, Health and Nutrition Lisa Mueller, Budget Director Donna E. Nelson, Monitoring Supervisor, Division of Compliance and Assistance
Estimated Completion Date:	July 1, 2011

Report 11-12

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Agriculture

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-12 Appendix A

Finding 11-12-3 *No supporting documentation for federal program reports*

3. The Department of Education did not always retain sufficient supporting documentation for reporting two federal programs.

The department did not retain supporting documentation for monthly reports it submitted to the US Department of Agriculture for the Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559) and the Child and Adult Care Food Program (CFDA 10.558).[65] [66] Without the supporting documentation, we could not substantiate the information in five out of nine reports tested. In addition, one report included an approximately 400,000 meal count error; the department was aware of the error, but did not submit a revised report.

Recommendation

- *The department should retain sufficient documentation to support reports submitted to the federal government.*

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[65] Monthly *Report of School Program Operations (FNS-10*). This report contains meals served under the National School Lunch Program (NSLP) and School Breakfast Program (SBP), and half-pints of milk served under the Special Milk Program (SMP).
[66] Monthly *Report of the Summer Food Service Program for Children (FNS-418).* This report contains the number of meals served under the Summer Food Service Program for Children by sponsors under the Department of Education's oversight.

Minnesota Department of Education Response:

The Department agrees with this finding and will implement the recommendations of the auditor. Reports generated by the Cyber-Link Interactive Child Nutrition System (CLICS) for the purpose of entering monthly 90-day, final reports for the child nutrition programs, i.e., FNS 10, FNS-44 and FNS-418, will be compared, for data entry accuracy, to the report entry screen before submission to the USDA. A copy of the CLICS 90 day, final reports used for entry, along with a copy of the data entry screen will be kept of file. Carol Thomas, Director of Safety, Health and Nutrition, will be responsible for resolving this finding and the Department expects the finding to be fully resolved by July 1, 2011.

Person Responsible: Carol Thomas, Director of Safety, Health and Nutrition

Estimated Completion Date: July 1, 2011

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 11-12

State Agency: Minnesota Department of Education

Appendix A
Major Federal Programs
Department of Education
Fiscal Year 2010

CFDA[1]	Program Name	Federal Award Numbers
	Child Nutrition Cluster:[2]	
10.553	School Breakfast	2MN30061
10.555	National School Lunch	Same as above
10.556	Special Milk Program for Children	Same as above
10.559	Summer Food Service Program for Children	Same as above
10.558	Child and Adult Care Food	2MN30061
	Title 1 Cluster:	
84.010	Title 1 Grants to Local Education Agencies	S010A080023A, S010A0900123A
84.389A	Title 1 Grants to Local Education Agencies ARRA[3]	S389A090023A
	Special Education Cluster:	
84.027	Special Education – Grants to State	H027A070087A, H027A080087A
84.391A	Special Education – State Grants (ARRA)	H391A090087A
84.173	Special Education – Preschool Grants	H173A070086, H173A080086
84.392A	Special Education – Preschool Grants (ARRA)	H392A090086A
84.367	Improving Teacher Quality State Grants	S367A080022A, S367A090022A
84.394A	State Fiscal Stabilization Fund – Education State Grants, Recovery Act (Education Stabilization Fund)	S394A090024A

[1]The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs. The federal government requires separate reporting of American Recovery and Reinvestment Act (ARRA) funds. All CFDA numbers followed by an "A" are ARRA funds.
[2]A cluster of programs is a grouping of closely related programs that have similar compliance requirements and is treated as a single program for audit purposes.
[3]American Recovery and Reinvestment Act.

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.713	ARRA - Child Care and Development – Discretionary
93.714	ARRA – Emergency Contingency Fund for TANF
93.767	Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-1 *No documented internal control structure ensuring accurate eligibility determinations.*

1. **Prior Finding Not Resolved: The Department of Human Services did not adequately address its responsibility to monitor and ensure accurate recipient eligibility determination for three major federal programs.**

The department did not have a comprehensive approach to ensure it provided federal program benefits only to eligible recipients for three of its fiscal year 2010 major federal programs[67] (Child Care Cluster, CFDA 93.575, 93.596, and 93.713; Medical Assistance, CFDA 93.778 and 93.778A; and Temporary Assistance for Needy Families, CFDA 93.558 and 93.714).[68] Although the department had a variety of internal controls, it did not assess how well these controls provided comprehensive, consistent, and timely assurance that the department had met its recipient eligibility oversight responsibilities.

[67] In fiscal year 2010, the Children's Health Insurance Program, (CFDA 93.767, federal award number 0905MN502) was not a major federal program; however, in fiscal year 2009, when it was a major federal program, we found that the department did not have sufficient internal controls over eligibility compliance requirements. We reported this finding in the Office of the Legislative Auditor's Financial Audit Division Report 10-11, *Department of Human Services*, issued March 18, 2010, finding 2. In our fiscal year 2010 audit, as part of our required follow-up of prior audit findings, we concluded that the department had not resolved the finding.
[68] See Appendix A for the federal award numbers for these programs.

Because the department lacked a comprehensive approach to its eligibility oversight responsibilities, we could not design an audit approach that would provide us with sufficient evidence to conclude on the department's compliance with certain federal requirements (Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility) for the Medical Assistance, Child Care Cluster, and Temporary Assistance to Needy Families programs. As a result, we were unable to express an opinion for these requirements in the state's fiscal year *2010 Financial and Compliance Report on Federally Assisted Programs*.[69]

The department had a variety of ways that it monitored eligibility determinations made by county staff;[70] however, in fiscal year 2010, several of these monitoring tools did not provide sufficient assurance, and the department did not take additional steps to ensure that county staff appropriately determined eligibility.

The department's oversight of eligibility determinations was deficient in the following programs:

- **Medical Assistance**: The department did not design additional reviews to compensate for the limited scope of its fiscal year 2010 Medicaid Eligibility Quality Control testing. The fiscal year 2010 testing focused on about 0.5 percent of the Medical Assistance recipients; these recipients were enrolled in long-term care and elderly waiver services. The federal government allows states to substitute traditional Medicaid Eligibility Quality Control testing with a pilot project such as this. However, the department has an overall, fundamental responsibility to ensure the eligibility of program recipients.

- **Child Care Cluster:** The department did not have adequate internal controls to validate the eligibility determinations made by counties.[71] During fiscal year 2010, the department reviewed county eligibility determinations during the period from July 2009 through September 2009, but it did not perform any additional reviews through the rest of the fiscal year. In addition, the department did not monitor the results of counties' case reviews (performed by nearly 60 percent of the counties) to identify error rates or trends.

- **Temporary Assistance for Needy Families:** The eligibility oversight functions performed by the department's Program Assessment and Integrity Division eligibility did

[69] Statement on Auditing Standards Number 58 allows an auditor to decline to express (disclaim) an opinion whenever he or she is unable to form or has not formed an opinion.
[70] County staff worked with clients to determine and validate whether the client met certain eligibility requirements, such as citizenship, immigration status, residency, and income. The county staff entered validated information into the state's computer system. The state paid for benefits provided to the clients.
[71] Anoka, Ramsey, Hennepin, Isanti, and Olmsted counties contract with nonprofit entities for some or all of their county eligibility determinations.

not include a sufficient number of case reviews to ensure recipients had met federal eligibility requirements.[72]

In addition, the department did not sufficiently test whether county staff accurately handled certain sanctions in the department's eligibility system. Federal regulations require that clients who refused a work plan or did not cooperate with child support orders should be sanctioned, while clients who are single parents and unable to work because they did not have a viable childcare option should not be sanctioned.[73] The department did not place sanctions on 7 of the 25 recipients we tested who had not cooperated with their child support orders.

The department also did not supplement its eligibility controls when it learned that most of the calendar year 2009 single audits of counties did not include testing of eligibility determinations.[74] As a result, the department could not rely on those audits as part of its internal controls for these programs. Medical Assistance recipients in the counties where single audits did not include testing of eligibility determinations received at least 83 percent of the program's benefits.

Recommendations

- *The Department of Human Services should develop a comprehensive, coordinated approach to ensure and monitor compliance with federal eligibility requirements.*

- *The department should develop internal controls to monitor the specific eligibility requirements related to sanctions for the Temporary Assistance for Needy Families Program.*

Minnesota Department of Human Services Response:

Department Response #1-1

The Department agrees with this finding and recommendation. We will expand our current eligibility review process to create a comprehensive, coordinated approach to ensure recipients meet applicable federal eligibility requirements. Additionally, we will monitor the results of county eligibility reviews to identify error rates and trends, and incorporate that information with our ongoing efforts to improve the eligibility process.

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[72] Office of Management and Budget A-133 Compliance Supplement, Temporary Assistance to Needy Families, part 4, letter E.
[73] 45 CFR parts 261.14 and 261.56.
[74] The state's fiscal year 2010 single audit incorporates the calendar year 2009 county level single audits.

Person Responsible: Gary L. Johnson, Director of Internal Audits

Estimated Completion Date: 10/1/11

Department Response #1-2

The department agrees with this finding. The Program Assessment and Integrity Division currently provides a number of federally-required oversight functions for multiple programs. A workgroup will be formed to review the existing work and to develop a more comprehensive plan to insure adequate oversight of TANF cases. This methodology will include eligibility reviews as well as oversight of sanction use by county staff.

Person Responsible: Erin Sullivan-Sutton, Assistant Commissioner for Children and Family Services

Estimated Completion Date: 12/31/11

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
84.397	ARRA – State Fiscal Stabilization Fund – Government Services
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.713	ARRA – Child Care and Development
93.714	ARRRA – Emergency Contingency Fund for TANF
93.767	Children's Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance
93.959	Block Grants for Substance Abuse

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-2 *No documented internal control structure ensuring compliance.*

2. Prior Finding Partially Resolved: The Department of Human Services did not fully identify, analyze, and document its internal controls related to compliance with federal single audit requirements.

Beyond the department's deficiencies in its internal controls to ensure compliance with federal eligibility requirements, as discussed in finding 1, the department did not have a comprehensive risk assessment regarding internal controls over compliance with other federal single audit requirements.[75] The federal Office of Management and Budget, Circular A-133 outlines the state's responsibilities for managing federal assistance programs and addresses general compliance requirements and program specific requirements. The department developed a risk assessment related to many of its financial operations and had many control activities and monitoring functions. However, it did not fully identify and analyze risks related to federal program compliance, design comprehensive controls to address significant risks, or develop sufficient monitoring procedures to ensure that controls were in place and were effective to reduce the significant risks identified. A comprehensive internal control structure is critical to ensure compliance with federal requirements. The department had an increased likelihood of noncompliance when it did not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

State policy stipulates that agency management is responsible to identify, analyze, and manage business risks that affect its ability to maintain its financial strength and the overall quality of its products and government services.[76] This policy also requires communication of the internal control policies and procedures to all staff so they understand expectations and the scope of their freedom to act. The policy further requires follow-up procedures that, at a minimum, should include ways to monitor results and report significant control deficiencies to individuals responsible for the process or activity involved, including the agency's executive management and other individuals in a position to take corrective action. The federal government expects that those controls also ensure compliance with federal laws, regulations, and program compliance requirements.[77]

The findings in this report identify deficiencies in the department's internal control procedures and specific noncompliance with federal requirements that the department's internal control structure did not prevent or detect. If the department had a comprehensive internal control structure, it may have identified these deficiencies, assessed the degree of risk for the these deficiencies, designed control procedures to address significant risk, and monitored whether

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[75] This finding affects all major federal programs identified in Table 1. See Appendix A for the federal award numbers for these programs. It also applies to federal programs that were major programs in fiscal year 2009, but not in fiscal year 2010, including Adoption Assistance (CFDA 93.659), Substance Abuse (CFDA 93.959), and Children's Health Insurance Program (CFDA 93.767).
[76] Department of Management and Budget Policy 0102-01, *Internal Control*.
[77] U.S. Office of Management and Budget Circular A-133, Part 6.

controls were working as designed and effective in reducing the risks to an acceptably low level. It is likely that the department will continue to have noncompliance and weaknesses in internal controls over compliance until it operates within a comprehensive internal control structure.

Recommendation

- *The department should continue to review and clearly document its risks, control activities, and internal control monitoring functions for its key business processes related to major federal programs.*

Minnesota Department of Human Services Response:

The Department agrees with this finding and recommendation. We will expand our risk assessment efforts to include our involvement with major federal programs covered under the federal single audit act.

Person Responsible: Gary L. Johnson, Director of Internal Audits

Estimated Completion Date: 12/31/11

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-3 *Unnecessary employee access to program subsystem.*

3. The Department of Human Services granted employees excessive access to the child support enforcement payment system.

The department granted eleven help desk employees excessive access to the child support enforcement payment system[78] (CFDA 93.563).[79] The department used the system to locate noncustodial parents, implement automatic child support withholding with employers, enforce child support orders, and centralize the receipt and disbursement of child support payments, as required by federal law. These 11 help desk employees were responsible for handling complaints from custodial and noncustodial parents who were enrolled in the child support enforcement program. The employees were granted access to modify information in the child support payment system, which was not required to perform their job duties.

Access control standards state that organizations should use the concept of "least privilege," allowing only authorized access for users that is necessary to accomplish assigned tasks in accordance with organizational missions and business functions.[80] By granting employees unnecessary access, the department increased the risk that errors may occur.

[78] The state's child support system is PRISM – Providing Resources to Improve Support in Minnesota system.
[79] See Appendix A for the federal award numbers for these programs.
[80] National Institute of Standards and Technology publication 800-53, AC-6.

Recommendation

- *The department should eliminate excessive employee access to the child support payment system.*

Minnesota Department of Human Services Response:

The Department agrees with this finding and recommendation. Effective March 25, 2011, the multiple security profiles provided to three PRISM help desk staff were removed. This change eliminated staff capability to view or modify PRISM data outside the scope of their responsibilities as help desk staff. The existing help desk security profile was modified for all help desk staff in order to provide the appropriate access, and only that access, necessary to perform their duties at the help desk.

Person Responsible:	Erin Sullivan-Sutton, Assistant Commissioner for Children and Family Services
Estimated Completion Date:	Completed

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.563	Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.713	ARRA - Child Care and Development

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-4 *Excessive federal cash balances.*

4. The Department of Human Services advanced federal funds to certain subrecipients and to the state Supreme Court without ensuring they disbursed those funds in the same manner as outlined in the federal cash management agreement.

The department did not comply with its U.S. Treasury-State Agreement when it advanced federal funds to subrecipients for the Child Care and Development Block Grant programs (CFDA 93.575 and 93.713).[81] The U.S. Treasury-State Agreement required the state to disburse the Child Care Cluster funds within one day after receiving the federal funds, and the federal Office of Management and Budget required subrecipients to conform substantially to the same cash management standards as the state. However, the grant agreements between the department and the subrecipients required the department to make initial advance payments to the grantees equal to one calendar quarter of the grant amounts followed by quarterly reimbursements of actual expenditures. The grant agreements required the reconciliation of funds at the end of the state fiscal year. We estimate that for the first quarter of fiscal year 2010, the department's advances exceeded subrecipients' costs by about 54 percent, or $1.3 million.

In addition, the department did not comply with its U.S. Treasury-State Agreement when it advanced federal funds to the Minnesota Supreme Court for expediting child support

[81] See Appendix A for crosswalk from Catalogue of Federal Domestic Award (CFDA) number to specific federal award grant number.

enforcement cases[82] (Child Support Enforcement – CFDA 93.563).[83] The U.S. Treasury-State Agreement allows the state to draw federal funds no more than one day in advance of disbursing child support enforcement program costs. However, the department drew federal funds to provide advances to the Supreme Court, resulting in a positive cash balance in the state treasury until the Supreme Court incurred sufficient expenditures to cover the advance. During fiscal year 2010, we determined that six of the department's payments to the Supreme Court exceeded our estimate of the costs incurred and resulted in excess cash in the state treasury ranging from about $18,800 to $192,000.

Recommendation

- *The department should comply with its U.S. Treasury-State Agreement and ensure subrecipients conform to the same cash management standards.*

Minnesota Department of Human Services Response:

The department agrees with the recommendation and will ensure compliance with the U.S. Treasury-State Agreement.

Person Responsible: Marty Cammack, Director of Financial Management Operations

Estimated Completion Date: 6/30/11

[82] The department's interagency agreement with the Minnesota Supreme Court was not executed until September 22, 2009; however, the department advanced funds to the court system for the first three months of the fiscal year before the agreement was executed, in violation of *Minnesota Statutes 2010*, 16C.08 Professional or Technical Services.
[83] See Appendix A for the federal award numbers for these programs.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
84.397	ARRA – State Fiscal Stabilization Fund – Government Services
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.713	ARRA – Child Care and Development
93.714	ARRRA – Emergency Contingency Fund for TANF
93.767	Children's Health Insurance Program
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance
93.959	Block Grants for Substance Abuse

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-5 *Insufficient review of payroll reports.*

5. Prior Finding Partially Resolved: The Department of Human Services did not sufficiently review a key payroll report.

The department did not sufficiently review the payroll register to ensure the accuracy of wages and verify that staff posted payroll expenditures to the correct accounts on the state's accounting system.[84] The payroll register report shows the current pay period's earnings codes, hours, pay rates, adjustments, lump-sum payments, and expense reimbursements.

State policy requires agencies to review the payroll register to identify any errors in the hours or rates that the department may need to correct.[85] During fiscal year 2010, the payroll staff's review of the report did not include verification of adjustments, special pay rates, overtime, and benefit allocations. By not performing the level of review required by policy, the department may incorrectly charge payroll costs to federal programs.

Recommendation

- *The department should review the payroll register report each pay period to verify the accuracy of payroll transactions.*

Minnesota Department of Human Services Response:

The department agrees with this finding. DHS is currently reviewing and documenting payroll duties. As part of this documentation, DHS will review the process currently being followed when reviewing the payroll register and determine additional steps to be added to the review.

Person Responsible:	Marty Cammack, Director of Financial Management Operations
Estimated Completion Date:	6/30/11

[84] This finding affects all major federal programs identified in Table 1. See Appendix A for the federal award numbers for these programs. It also applies to federal programs that were major programs in fiscal year 2009, but not in fiscal year 2010, including Adoption Assistance (CFDA 93.659), Substance Abuse (CFDA 93.959), and Children's Health Insurance Program (CFDA 93.767).

[85] Department of Management and Budget's policy PAY0028 *Agency Verification of Payroll and Human Resources Transactions.*

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	Supplemental Nutrition Assistance Program (SNAP) Administration
10.561	ARRA - Supplemental Nutrition Assistance Program (SNAP) Administration
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA - Foster Care
93.667	Social Services Block Grant
93.713	ARRA – Child Care and Development
93.777	State Health Care Providers Survey
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-6 *Insufficient notification of federal award information to subrecipients.*

6. The Department of Human Services did not communicate all federal award information to subrecipients for seven major federal programs.

The department did not identify to subrecipients at the time of grant award the federal award name and number for the following programs: Medical Assistance (CFDA 93.777 and 93.778), Child Care Cluster (CFDA 93.575, 93.596, and 93.713), Child Support Enforcement (CFDA 93.563), Social Services Block Grants (CFDA 93.667), Foster Care (CFDA 93.658), Temporary Assistance for Needy Families (CFDA 93.558), and Supplemental Nutrition Assistance Program

(CFDA 10.551 and 10.561).[86] Federal regulations require the department to provide this information to all subrecipients.[87]

Recommendation

- *The department should identify to the subrecipient, at the time of the award, the federal award name and number.*

Minnesota Department of Human Services Response:

The department agrees that subrecipients need to receive adequate information on the federal award. We will review our business processes to determine how best to provide that information.

Person Responsible: Marty Cammack, Director of Financial Management Operations

Estimated Completion Date: 6/30/11

[86] See Appendix A for the federal award numbers for these programs.
[87] 2 CFR part 176.210(c) and Office of Management and Budget A-133 Circular § .400(d).

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-7 *Lack of verification of compliance with federal health and safety standards.*

7. The Department of Human Services did not ensure that out-of-state medical facilities complied with the required health and safety standards.

The department did not ensure that out-of-state providers of Medical Assistance (CFDA 93.778) services complied with federal regulatory health and safety standards. The department did not verify that the providers had the required federal health and safety survey. The survey, typically conducted by the state's health department, ensures that providers and suppliers of Medical Assistance health care services complied with federal regulatory health and safety standards and conditions of participation. The department could not provide evidence that the three out-of-state nursing facilities and one nonaccredited out-of-state hospital we tested had the required surveys. Department staff told us that their process would have verified that the facilities were licensed in their home state when they initially enrolled the providers, but they did not obtain proof of health and safety surveys. The department failed to determine if the facilities continued to be in compliance after initial enrollment.

Federal regulations require facilities receiving Medicaid funds through the Medical Assistance Program (CFDA 93.778)[88] to have surveys completed. Nursing facilities and intermediate care facilities for the mentally retarded should be surveyed within 12 months or have an approved extension.[89] The federal Centers for Medicare and Medicaid Services determined how often individual hospitals needed surveys and generally required hospitals to be surveyed about every three years.

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[88] See Appendix A for the federal award numbers for these programs.
[89] 42 CFR 442.12 (a)(b) and 42 CFR 442.109.

Recommendation

- *The department should ensure that out-of-state providers receiving Medicaid payments meet the required health and safety standards.*

Minnesota Department of Human Services Response:

The Department agrees with this finding and recommendation. We will develop a process to ensure Medicaid payments are made only to eligible out-of-state providers.

Person Responsible: Adriann Alexander, Director of Health Care Operations

Estimated Completion Date: Completed 8/1/10

Report 11-13

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
93.658	Foster Care
93.658	ARRA - Foster Care
93.714	ARRA – Emergency Contingency for TANF
93.767	State Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA - Medical Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: See Report 11-13 Appendix A

Finding 11-13-8 *Did not submit federal quarterly reports timely.*

8. Prior Finding Partially Resolved: The Department of Human Services submitted reports to the federal government late for four federal programs.

The department did not maintain sufficient internal controls to ensure the timeliness of reports for four of its fiscal year 2010 major federal programs[90] (Foster Care, CFDA 93.658 and 93.658A; Medical Assistance, CFDA 93.778 and 93.778A; Child Support Enforcement, CFDA 93.563 and 93.563A; and Temporary Assistance for Needy Families, CFDA 93.558 and 93.714).[91] The department did not always meet the 30 or 45-day reporting requirement for filing quarterly reports to the federal government. During fiscal year 2010, the department electronically filed the reports from 2 to 56 days after the due date or extended due date. The federal government relies on the reports to ensure compliance with program objectives and ensure that the state is appropriately managing and monitoring the federal award.

[90] In fiscal year 2010, the Children's Health Insurance Program (CFDA 93.767, federal award number 0905MN502) was not a major federal program; however, in fiscal year 2009, when it was a major federal program, we found that the department had not submitted reports to the federal government by the required date. We reported this finding in the Office of the Legislative Auditor's Financial Audit Division Report 10-11, *Department of Human Services*, issued March 18, 2010, finding 8. In our fiscal year 2010 audit, as part of our required follow-up of prior audit findings, we concluded that the department had not resolved the finding.
[91] See Appendix A for the federal award numbers for these programs.

Recommendation

- *The department should improve its reporting process to ensure timely submission of all of its federal reports.*

Minnesota Department of Human Services Response:

The department agrees to continue to strive for timely submission of all of its federal reports.

Person Responsible: Marty Cammack, Director of Financial Management Operations

Estimated Completion Date: 6/30/11

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report 11-13

State Agency: Minnesota Department of Human Services

Appendix A
Major Federal Programs
Department of Human Services
Fiscal Year 2010

CFDA[1]	Program Name	Federal Award Number
	Food and Nutrition Services Cluster[2]	
10.551	Supplemental Nutrition Assistance Program Benefits	2009IS601842, 2009IS604542, 2010IS601842, 2010IS604542
10.551 A	Supplemental Nutrition Assistance Program Benefits – ARRA[3]	2009ID282142, 2009ID281142, 2010ID282142, 2010ID281142
10.561	Supplemental Nutrition Assistance Program Administrative Funds	2009IS251442, 2009IS251942, 2009IS252042, 2009IS803642, 2009IQ650342, 2010IS252042, 2010IS251442, 2009CQ260342, 2010IS803642, 20108E251842, 2010IE251842, 2010IQ270342, 2009CQ252042, 2010IS251942
10.561 A	Supplemental Nutrition Assistance Program Administrative Funds	2010ID250342
84.397	State Fiscal Stabilization Funds	S397A090024
	Temporary Assistance for Needy Families Cluster	
93.558	Temporary Assistance for Needy Families	0902MNTANF, 1002MNTANF, 0602MNTANF, 0802MNTANF
93.714	Temporary Assistance for Needy Families State Programs – ARRA	0901MNTAN2, 1001MNTAN2
93.563	Child Support Enforcement	0704MNHMHR, 0904MN4004, 1004MN4004
93.563 A	Child Support Enforcement – ARRA	0904MN4002, 1004MN4002
	Child Care Cluster	
93.575	Child Care and Development Block Grant	0902MNCCDF, 1001MNCCDF
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Same as above
93.713	Child Care and Development Block Grant – ARRA	0901MNCCD7
93.658	Foster Care – Title IV-E	0901MN1401, 1001MN1401
93.658 A	Foster Care – Title IV-E – ARRA	0901MN1402, 1001MN1402
93.667	Social Services Block Grant	0901MNSOSR, 1001MNSOSR, 0601MNSOS2
	Medicaid Cluster	
93.777	State Survey and Certification of Health Care Providers and Suppliers	0705MN5001, 0905MN5001, 1005MN5001
93.778	Medical Assistance Program	0705MN5028, 0805MN5028, 0805MN5048, 0905MN5028, 0905MN5048, 1005MN5ADM, 1005MN5MAP
93.778 A	Medical Assistance Program – ARRA	0905MNARRA, 1005MNARRA, 1005MNQUAL

[1]The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

[2]A cluster of programs is a group of closely related programs that have similar compliance requirements and are treated as a single program.

[3]The American Recovery and Reinvestment Act (ARRA) funds were segregated to fulfill transparency guidelines.

Source: Department of Human Services' staff.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report 11-14

State Agency: **Minnesota Department of Management and Budget**

Federal Agency:
U.S. Department of Agriculture
U.S. Department of Defense
U.S. Department of Energy
U.S. Department of Labor
U.S. Department of Transportation
U.S. Department of Education
U.S. Department of Health and Human Services
U.S. Department of Homeland Security

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.557	Special Nutrition for Women, Infants and Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
10.561	State Admin Matching Grants for Supplemental Nutrition
10.561	ARRA-State Admin Matching Grants for Supplemental Nutrition
12.401	National Guard Military Operations and Maintenance
12.401	ARRA-National Guard Military Operations and Maintenance
17.225	Unemployment Insurance
17.225	ARRA-Unemployment Insurance
17.258	Workforce Investment Act – Adult
17.258	ARRA-Workforce Investment Act – Adult
17.259	Workforce Investment Act – Youth
17.259	ARRA-Workforce Investment Act – Youth
17.260	Workforce Investment Act – Dislocated Worker
17.260	ARRA-Workforce Investment Act – Dislocated Worker
20.106	Airport Improvement Program
20.106	ARRA-Airport Improvement Program
20.205	Highway Planning and Construction
20.205	ARRA-Highway Planning and Construction
20.219	Recreational Trails Program
20.500	Federal Transit Capital Investment Grants
20.507	Federal Transit Formula Grants
81.042	Weatherization Assistance for Low Income Persons
81.042	ARRA-Weatherization Assistance for Low Income Persons

84.007	Federal Supplemental Education Opportunity Grants
84.010	Title I – Grant to Local Education Agencies
84.027	Special Education – State Grants
84.032	Federal Family Education Grants
84.033	Federal Work-Study Programs
84.038	Federal Perkins Loans
84.063	Federal Pell Grants Program
84.126	Vocational Rehabilitation
84.173	Special Education – Preschool Grants
84.268	Federal Direct Student Loans
84.367	Improving Teacher Quality State Grants
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Teachers
84.379	Teacher Education Assistance for College and Higher Education Grants
84.389	ARRA-Title I Grants to Local Education Agencies
84.390	ARRA-Vocational Rehabilitation
84.391	ARRA-Special Education – State Grants
84.392	ARRA-Special Education – Preschool Grants
84.394	ARRA-State Fiscal Stabilization Grants – Education
84.397	ARRA-State Fiscal Stabilization Grants – Government Services
93.069	Public Health Emergency Preparedness
93.268	Immunization Grants Program
93.364	Nursing Student Loans
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.563	ARRA-Child Support Enforcement
93.568	Low Income Home Energy Assistance
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development – Mandatory and Match
93.658	Foster Care
93.658	ARRA-Foster Care
93.667	Social Services Block Grant
93.712	ARRA-Immunization Grants Program
93.713	ARRA- Child Care and Development
93.714	ARRA-Emergency Contingency Fund for TANF
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers
93.778	Medical Assistance
93.778	ARRA-Medical Assistance
97.036	Disaster Grants – Public Assistance

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Applicable

Finding 11-14-1 *Schedule of Expenditures of Federal Awards not prepared in a timely manner.*

1. Prior Finding Partially Resolved: The Department of Management and Budget did not prepare the Schedule of Expenditures of Federal Awards in a timely manner.

The Department of Management and Budget did not provide draft expenditure schedules to us until February 8, 2011, six weeks after our agreed upon due date. The Single Audit Act requires our office to determine the state's major federal programs based on the final schedules.[92] Changes in the determination of major federal programs may result in the need for additional audit work before the state can issue its *Financial and Compliance Report on Federally Assisted Programs.* This was one of several factors resulting in the state not meeting the federally required March 31 Single Audit reporting deadline for fiscal year 2010.

The Department of Management and Budget improved its review of agency information used to prepare the state's Schedule of Expenditures of Federal Awards for fiscal year 2010.

Recommendation

- *The Department of Management and Budget should more promptly prepare the Schedule of Expenditures of Federal Awards to allow an earlier determination of major programs.*

Minnesota Department of Management and Budget Response:

Thank you for recognizing the improvement in our review process. We continue to place a high priority on ensuring the accuracy and timeliness of the Schedule of Expenditures of Federal Awards. We will continue to work with agencies to improve the timeliness of the Schedule of Expenditures of Federal Awards.

Person Responsible: Barb Ruckheim, Financial Reporting Director

Estimated Completion Date: March 31, 2012

[92] U.S. Office of Management and Budget Circular A-133, Subpart E-Auditors, Section .520.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report 11-14

State Agency: Minnesota Department of Management and Budget

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.712 ARRA - Immunization Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: 3H23IP522551

<u>Finding 11-14-2</u> *<u>Did not accurately report ARRA funds for one reporting period.</u>*

2. **The Department of Management and Budget's internal controls to ensure the complete and accurate reporting of funds related to the American Recovery and Reinvestment Act did not identify an error in one Section 1512 report submitted by the Minnesota Department of Health.**

The Department of Management and Budget did not identify an error in one Section 1512 report submitted by the Minnesota Department of Health for an American Recovery and Reinvestment Act (ARRA) program.[93] Federal regulations identify that certain ARRA programs have special reporting requirements, including the requirement to report total expenditures and total receipts on a quarterly basis, along with other funding details such as subawards provided to specific subgrantees and project status information.[94] These reporting requirements provide more transparency along with increased accountability for agencies administrating ARRA funds.

The State of Minnesota uses a decentralized process for reporting ARRA expenditures to the federal government, in which each state agency separately reports information to a federal website. Before each agency submits its final quarterly ARRA expenditure reports to the federal government, the Department of Management and Budget performs an independent review, which includes a reconciliation of expenditures to the appropriate accounting system. The Department of Health should have reported $247,214 of federal receipts and expenditures for the quarter ended June 30, 2010; instead, it reported the previous quarter's receipts and expenditures, totaling $113,426. An independent review at the department and at the Department of Health did not catch this error, which

[93] Immunization and Vaccines for Children Grants Program (CFDA 93.712) - Federal Award 3H23IP522551 – 07S2.

[94] U.S. Office of Management and Budget Circular A -133 June 2010 Compliance Supplement, Part 3 – Compliance Requirements – Section L – Reporting; and American Recovery and Reinvestment Act of 2009, Public Law 111-5, Title XV – Accountability and Transparency, Section 1512.

resulted in an incorrect posting to the federal ARRA reporting website.[95] The report submitted for the subsequent quarter accurately reflected the cumulative receipts and expenditures for this program.

Recommendation

- *The department should improve its controls over quarterly reporting for ARRA funds to ensure state agencies submit accurate and complete information to the federal government.*

Minnesota Department of Management and Budget Response:

MMB has established additional controls and supports to assist state agencies, the prime recipients responsible for reporting on ARRA funding, with the new Section 1512 reporting requirements. The error identified relates to one data element in one report submitted by the Minnesota Department of Health. During the quarter ending June 30, 2010, MMB reviewed over 200 state agency reports reflecting over $1.2 billion in ARRA expenditures.

Agencies and MMB reviewers are provided a copy of the reports generated from the Minnesota Accounting and Procurement System (MAPS) so that they may compare Section 1512 reported data to the statewide accounting system. In cases where agencies reconcile data to subsystems, agencies are expected to maintain supporting documentation from those systems. MMB will continue to instruct agencies to reconcile receipts and expenditures to the accounting system or relevant agency subsystem to ensure complete and accurate reporting of ARRA funds.

Person Responsible: Michelle Weber, Executive Budget Coordinator

Estimated Completion Date: Completed

[95] www.recovery.gov.

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report LA-10

State Agency: Minnesota State Colleges and Universities

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.032 Federal Family Education Loans (FFEL)

Questioned Costs: $1,053

Federal Project Nos./Award Year: Not Available

Finding LA-10-1 *Incorrect calculation of refunds of federal awards*

Condition – Incorrect Calculation of Refunds of Federal Awards:

During our testing, we noted three of the sixty refund calculations tested were incorrect. Century College included an estimate for the cost of books rather than actual costs. However, because the amount of Title IV earned by the student was less than the amount of unearned charges, the correct amount of funds were returned to the lenders. St. Cloud State University included an incorrect institutional charge in the refund calculations and did not correctly account for breaks of five days or longer. St. Cloud State University needs to return an additional $795. Hennepin Technical College used the 50% mid-point even though the student had an official withdrawal notice on record and needs to return an additional $258.

Criteria:
Refund calculations are to be properly calculated.

Questioned Costs:
$795 needs to be returned for St. Cloud State University and $258 for Hennepin Technical College.

Possible Asserted Effect:
Refund calculations may not be completed properly as described in Department of Education requirements.

Auditors' Recommendation:
We recommend the College or University implement procedures to assure all refunds are properly calculated.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendation and will assure that they will follow their written procedures for properly calculating refunds.

Persons Responsible:

Century College	Pam Engebretson, Financial Aid Director
Hennepin Technical College	Bonnie Scheffler, Financial Aid Director
Saint Cloud State University	Mike Uran, Financial Aid Director

Estimated Completion Date: June 30, 2011

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report LA-10

State Agency: Minnesota State Colleges and Universities

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Education Opportunity Grants
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work Study Program
84.038	Federal Perkins Loans
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Talent Grants
84.379	Teacher Education Assistance for College and Higher Education Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Available

Finding LA-10-2 *Return of Title IV Funds.*

Condition – Return of Title IV Funds:
During our testing, we noted that North Hennepin Community College disbursed Title IV Funds to one student who was enrolled in the spring term; however, the student failed to begin attendance for two of the registered classes which dropped the student to less than half time enrollment. The funds were not returned within 30 days of when the College determined that the student was less than half time.

Criteria:
All Schools must return funds disbursed to a student who failed to begin attendance as soon as possible, but no later than 30 days after the date the institution becomes aware that the student will not or has not begun attendance.

Questioned Costs:
Interest accrued between the date that funds should have been returned versus the actual date funds were returned.

Possible Asserted Effect:
The funds were not returned within 30 days of the date the College determined that the student did not begin attendance. The college may not be in compliance with the Department of Education requirements.

Auditors' Recommendation:
We recommend the college implement procedures to assure that Title IV funds are not disbursed to students until they begin attendance.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor’s recommendation and will review their procedure to ensure funds are returned to the Department of Education within 30 days of the College determining that students are less than half-time.

Person Responsible:

North Hennepin Community College   Jackie Olsson, Financial Aid Director

Estimated Completion Date: June 30, 2011

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report LA-10

State Agency: Minnesota State Colleges and Universities

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.007	Federal Supplemental Education Opportunity Grants
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work Study Program
84.038	Federal Perkins Loans
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Talent Grants
84.379	Teacher Education Assistance for College and Higher Education Grants

Questioned Costs: None – Procedural Finding Only

Federal Project Nos./Award Year: Not Available

Finding LA-10-3 *Unclaimed federal disbursements not returned timely.*

Condition – Late Return of Title IV:
We noted that Northland Community and Technical College, Century College, and Minneapolis Community and Technical College each were late in returning Title IV funds for one student when a return of Title IV fund was calculated for a student who withdrew. Northland Community and Technical College was 29 days late, Century College was 14 days late and Minneapolis Community and Technical College was six days late.

Criteria:
Under Federal regulations, colleges are required to return funds within 45 days of the date an institution becomes aware that a student withdrew.

Questioned Costs:
Interest accrued between the date the funds should have been returned versus the actual date funds were returned.

Possible Asserted Effect:
The colleges may not be returning funds within the required 45 days of becoming aware of the student withdrawing.

Auditors' Recommendation:
We recommend that the colleges implement procedures to properly identify students who withdraw and complete the refund calculation and return the funds within the required 45 days.

Minnesota State Colleges and Universities Response:

The Colleges agree with the auditor's recommendation and will improve their procedure to ensure that funds are returned to the Department of Education within 45 days of the date that they determine that a student has withdrawn.

Persons Responsible:

Century College	Pam Engebretson, Financial Aid Director
Minneapolis Community and Technical College	Angie Christensen, Financial Aid Director
Northland Community and Technical College	Gerald Schulte, Financial Aid Director

Estimated Completion Date: June 30, 2011

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings

Report LA-10

State Agency: Minnesota State Colleges and Universities

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.033 Federal Work Study Program

Questioned Costs: $3,645

Federal Project Nos./Award Year: Not Available

Finding LA-10-4 *Changes to administrative information not reported timely.*

Condition – Community Service Activity:
During our testing of the Federal Work Study program, we noted that Mesabi Range Community and Technical College did not meet the minimum requirement to have 7% of its student workers involved in community service jobs.

Criteria:
Under Federal regulations, schools are required to use at least 7% of its Federal Work Study allocation to employ students in community service jobs.

Questioned Costs:
$3,645

Possible Asserted Effect:
The purpose of earmarking these funds is to serve the needs of the community and provide enriching and rewarding experiences for students. By not meeting the 7% minimum requirement, this purpose may not be met.

Auditors' Recommendation:
We recommend that the college obtain a waiver for this requirement in the future.

Minnesota State Colleges and Universities Response:

The College agrees with the auditor's recommendation and will seek a waiver for this requirement from the Department of Education in the future.

Person Responsible:

Mesabi Range Community and Technical College David Dailey, Dean of Student Services

Estimated Completion Date: June 30, 2011

MnDOT Office of Audit Report 11-800-51

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205	Highway Planning and Construction Program
20.205	ARRA-Highway Planning and Construction Program

Questioned Costs: $5,829,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: H128(001)/2008
H104(100)/2008
09ES(068)/2009

Finding DOT-11-I *Noncompliance with materials control for bridge concrete and steel*

I. Prior Audit Finding Not Resolved: Agency testing was not done and properly documented on Bridge Concrete and Steel.

For 3 of 4 projects audited, exceptions to requirements were noted for bridge concrete and steel material testing requirements.

- Certified Mill Test Reports were not available for all of the bridge Structural Steel. The reports describe the chemical composition of the steel and address compliance with American Society for Testing of Materials (ASTM) standards.

- Project personnel did not perform aggregate quality testing for 5 of 7 months required for one project. #200 sieve coarse aggregate testing, required as part of the aggregate quality testing, was not done for two projects, one of which was an American Recovery and Reinvestment Act (ARRA) project.

- The first load of concrete for each day was not always tested to ensure mix design requirements were met on one project.

- Slump tests were missed, and corrective action for slump test results falling outside requirements was not documented for one project.

- Air entraining and water reducing agents were not tested for one ARRA project.

Recommendation

- *Department management should work with cities and counties to ensure compliance with testing requirements for bridge concrete and steel.*

Minnesota Department of Transportation Response:

State Aid for Local Transportation, working in collaboration with the State Aid Metro District, has instructed the City of Richfield, and Mn/DOT's Metro District staff who performed the construction administration tasks for this project, to obtain the required Certified Mill Test Reports for the bridge structural steel. State Aid for Local Transportation has also prepared a 2011 Construction Reminders Memo containing information and resource links regarding proper testing rates and documentation requirements for structural steel. The 2011 Construction Reminders Memo will be available on the State Aid Construction website. A copy will also be distributed via email to all cities and counties this spring.

State Aid for Local Transportation has instructed the City of Moorhead and Kittson County Engineers to comply with all appropriate structural concrete and concrete paving material testing requirements to assure that the materials incorporated into each project meet or exceed the requirements of the project specifications. Additionally, the 2011 Construction Reminders memo includes informative resource links to assist all cities and counties with concrete testing related issues. These findings were also discussed at the 2011 City Engineer's Association of Minnesota (CEAM) and Minnesota County Engineer's Association (MCEA) conference in January, 2011.

Person Responsible: State Aid for Local Transportation Division Director

Estimated Completion Date: April 2011

MnDOT Office of Audit Report 11-800-51

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205 Highway Planning and Construction Program
20.205 ARRA-Highway Planning and Construction Program

Questioned Costs: $7,487,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: 0169(317)/2008
09ES(033)/2009
09ES(080)/2009

Finding DOT-11-II *Noncompliance with concrete materials control requirements*

II. Prior Finding Not Resolved: The department did not comply with materials control requirements for paving concrete.

The department did not comply with concrete materials control requirements for three of five projects tested.

- Payment reductions for test results not meeting specifications were not taken on two projects, including concrete mixing on one ARRA project and #200 sieve coarse aggregate testing on two ARRA projects.

- Cores for thickness were not taken on one ARRA project, and an alternative testing method for thickness was not documented as a contract change.

- Quality Control coarse and fine aggregate testing was incomplete for one project.

Recommendation

- *Department management should work with cities, counties, and districts to ensure compliance with testing requirements for paving concrete.*

Minnesota Department of Transportation Response:

Engineering Services Division

Engineering Services Division, Office of Construction and Innovative Contracting (OCIC) will remind all project personnel at upcoming state wide meetings to follow through on the disposition of failing gradations for material passing the #200 sieve of the coarse aggregate fraction in structural concrete for paving. Disposition may include additional QA testing, corrective action, or assessment of a monetary deduction as soon as the failures are known. Final disposition of these failures should be taken into consideration before making aggregate quality incentive payments.

Operations Division

Payment Reductions

We believe it was incumbent on the Department to pay the contractor for the pavement placed as there was predictably significant value in the work performed. This judgment was confirmed by experts from the Department's Construction Office. Given this legitimate decision of the engineer, it was incumbent on the Department to make payment for the pavement, minus a monetary reduction, to arrive at a payment for the reasonable value of the work performed. The unique aspect of this project is that considerable study and time lag was involved between making payment and determining the appropriate deduction. The district, with the assistance and support of the construction office has engaged in a dialog with the contractor to remedy the defective work in a manner that protects the interests of the taxpayers. Alternatives include processing the $1.144 payment reduction, removal and replacement and repair of defective work, some form of warranty or guarantee, or possible combinations of these alternatives.

Concrete Mixing Concerns

While it is true that project personnel did not provide written notice of concrete mixing concerns to the contractor until late in the process, project personnel did direct addressing of concerns immediately when the problems were discovered in the field, and in an ongoing manner, as is demonstrated by overwhelming evidence regarding numerous shut-downs, involvement of various technical experts, and the contractor's efforts to resolve the mixing problem.

District 8 management has clarified expectations with remaining project personnel that formal practices are to be followed. We are also aware that the construction office has provided training, support and encouragement to contemporary project leaders in the more formal methods of project management.

Material Passing the #200 Sieve for Coarse Aggregate

After learning of the problems with the Mn/DOT quality assurance tests of the material passing the #200 sieve for coarse aggregate, the district was able to consider the contractors tests on this project, as well as numerous other tests on the same aggregate used on different projects. In our opinion, it would be far more difficult to discount the TH 7 contractor's passing tests based on the suspect Mn/DOT tests than the converse. When one considers the numerous other representative results available, we continue to believe that the contractor was due payment of $109,000 for the class A aggregate incentive.

To prevent future similar problems, the district provided additional training, and significantly increased oversight of testers on all projects in the district. Project chief inspectors, supervisors and engineers, and the Independent Assurance technician have all been given increased expectations in oversight of testers on projects. Training in both the methodology of testing, as well as the integration of testing in the overall management of projects, has been provided where necessary. Expectations of notification of supervisors upon the failure of tests have been clarified with testers.

Regarding "Cores for Thickness"

This project was an Unbonded Concrete Overlay and as such elevations were shot on top of the PASSRC every 50 feet on the left and right lane edges, as well as on centerline prior to placement of the concrete pavement. This was done in order to develop a profile for the concrete pavement. After consultation with the Mn/DOT Concrete Office, it was determined by project personnel that these elevations could be re-shot on top of the concrete pavement to determine the pavement's thickness. The results of these shots are on file in the Willmar Construction Office. By using the surveyed elevations to determine thickness, we have approximately 4720 discrete points to compute thickness from as opposed to the 159 core locations.

A Supplement Agreement will be processed to document this change. In the future the district will process supplemental agreements for these types of method of measurement changes.

Regarding "Aggregate Shouldering Class 5"

Project personnel took 27 samples of the Aggregate Shouldering Class 5. The gradation on all 27 tests met specifications. However, on eight (8) of the tests, the Loss by Washing was out of tolerance. This left only 19 valid tests of 24 tests required. The material is performing adequately in the field. The basis of acceptance for this material will be documented on the Material Certification Exceptions Summary.

In addition to the gradation tests, 2 of 10 moisture tests were missed. The fact that the density tests performed showed that density was achieved indicates that moisture was within range. The missing moisture tests did not affect the control of the material as it was placed nor the quality of the project. The missing moisture tests will be documented on the Material Certification Exceptions Summary.

To prevent future similar problems, the district provided additional training, and significantly increased oversight of testers on all projects in the district. Project chief inspectors, supervisors and engineers, and the Independent Assurance technician have all been given increased expectations in oversight of testers on projects. Training in both the methodology of testing, as well as the integration of testing in the overall management of projects, has been provided where necessary. Expectations of notification of supervisors upon the failure of tests have been clarified with testers.

The Operations Division Director will instruct all District Engineers to ensure that Quality Control gradations are performed as required.

<u>State Aid Division</u>

State Aid for Local Transportation has instructed the Goodhue County Engineer, along with the County field staff, on the proper procedure for applying and documenting payment reductions. The 2011 Construction Reminders memo contains helpful information and links regarding payment timeliness and procedures. Payment timeliness and application of incentives and disincentives were also discussed at the Minnesota County Engineers Association (MCEA) and City Engineers Association of Minnesota (CEAM) conferences in January, 2011, and will be further stressed at upcoming training seminars throughout the districts for city and county construction and design personnel.

Persons Responsible: Operations Division Director and State Aid for Local Transportation Division Director

Estimated Completion Date: April 2011

MnDOT Office of Audit Report 11-800-51

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205	Highway Planning and Construction Program
20.205	ARRA-Highway Planning and Construction Program

Questioned Costs: $1,289,000 (This amount represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year:
09ES(021)/2009
09ES(033)/2009
3509(106)/2009
09ES(103)/2009
09ES (068)/2009
09ES(078)/2009
09ES(080)/2009

Finding DOT-11-III *Noncompliance with materials control for grading and base construction*

III. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction.

Noncompliance with requirements was noted for grading and base construction materials for 7 of 14 projects evaluated, resulting in $1,289,000 in questioned costs. Some improvements and best practices were also noted, leading to a significant decrease in last year's $9,873,000 in questioned costs.

- Payment reductions for materials not meeting specifications were not correct for one ARRA project.
- For four projects, sample locations were not all documented as random. As a result, use of the statistically based Random Sampling Gradation Acceptance Method, which allows for a reduced testing rate of 4 per 10,000 tons (otherwise the testing rate is 1 per 1,000 tons), could not be verified. 3 of the 4 projects were ARRA projects.
- Quality Assurance gradations were incorrect or incomplete for 3 ARRA projects.
- Grading and base reports were inaccurate, incomplete, or not completed for two projects, including 1 ARRA project. Related testing was missed on the ARRA project.

- Quality Assurance moisture content testing was not done correctly for four ARRA projects.

- Percent Crushing tests were missed for two projects, including one ARRA project, and aggregate quality testing was not done for one ARRA project.

Recommendation

- *Department management should work with cities, counties, and districts to ensure compliance with requirements for grading and base materials control.*

Minnesota Department of Transportation Response:

Operations Division
The Operations Division Director will instruct all District Engineers to perform the following as applicable and required: Random Sampling Gradation Acceptance Method, including the Random Sampling Acceptance Report; correct completion of the Worksheet for Sieve Analysis of Granular Materials, including fine sieve check totals; QA field and laboratory gradations; moisture content; percent crushing; and quality testing; document the basis for acceptance for exceptions to material testing requirements on the Materials Certification Exceptions Summary.

State Aid Division
As stated in the Audit Report, the question cost amount for Fiscal Year 2010 is significantly less than 2009; a good inclination that county and city personnel have benefited and learned from previous years' audit findings. State Aid for Local Transportation construction staff, along with our district partners, have met with St. Louis County, Traverse County, Kittson County and Goodhue County Engineers and field staff to discuss this year's audit findings. Each county has been instructed to take additional measures such as forensic testing to assure that all materials incorporated into the Project meet or exceed the project specifications. The items mentioned in Recommendation 2 were discussed at the 2011 MCEA and CEAM conferences.

State Aid for Local Transportation will continue to stress the importance of holding preconstruction meetings for each project to discuss project personnel expectations and review all applicable Schedule of Materials Control testing rates. When deemed necessary, recertification of individuals will be reviewed and required to assure that the proper quality assurance measures are being achieved.

Operations Division and Engineering Services Division

Engineering Services Division, Office of Construction and Innovative Contracting will remind all project personnel at upcoming state wide meetings to make sure they are using the correct random sampling procedure for all grading and base test sampling and to complete the worksheets and forms correctly.

Engineering Services Division (OCIC) will review the process for decertification of project personnel involved in non-compliance events and take appropriate action. In light of recent events, OCIC will be re-examining the current technical decertification process with the standing Technical Certification Committee and make changes where appropriate.

Persons Responsible: Operations Division Director and State Aid for Local Transportation Division Director

Estimated Completion Date: April 2011

MnDOT Office of Audit Report 11-800-51

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205 ARRA-Highway Planning and Construction Program

Questioned Costs: $760,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: 1609(253)/2009

Finding DOT-11-IV *Noncompliance with materials control requirements for stabilized full depth bituminous pavement reclamation*

IV. The department did not comply with materials control requirements for stabilized full depth bituminous pavement reclamation.

Noncompliance with stabilized full depth bituminous pavement reclamation (SFDR) materials control requirements was noted for an ARRA county project, resulting in $760,000 in questioned costs.

- Quality Control #200 Sieve Gradations were not done. Project personnel indicated that the Contractor did not have the necessary equipment to perform the gradations.

- The Contractor did not record and report QC Emulsion Percent Content to the Engineer by location and gradation number. After completion of the audit, project personnel calculated the QC emulsion percent content by location. Gradation number data is not available.

- The department allowed the Contractor to proceed with SFDR in measured atmospheric temperatures of less than 50 degrees Fahrenheit, and freezing temperatures occurred within 48 hours of SFDR placement. This could affect curing and performance.

- The hot mix bituminous overlay was not placed on the SFDR within 15 calendar days as required, taking a total of 21 calendar days instead. Project personnel indicated that the first lift of bituminous overlay was completed within 15 days. OMRR personnel explained that the SFDR is not designed to be driven on.

Recommendation

- *Department management should work with cities and counties to ensure compliance with materials control requirements for stabilized full depth bituminous pavement reclamation.*

Minnesota Department of Transportation Response:

State Aid for Local Transportation has followed up with the Cook County Engineer to review the QC/QA requirements for SFDR. The Cook County Engineer completed all of the required QA tests which represent that the final product meets the requirements of the project specifications, as delivered to the site.

With the 2011 construction season drawing near, the State Aid for Local Transportation construction staff, in cooperation with our district partners, will continue to provide training opportunities for city and county technicians and design staff around the state over the following few months. Full Depth Reclamation projects are becoming increasingly popular as agency budgets get tighter and quality aggregate sources become increasingly difficult to find; therefore, we will include additional information and resources for the cities and counties during our training seminars.

Person Responsible: State Aid for Local Transportation Division Director

Estimated Completion Date: April 2011

Minnesota Office of the Legislative Auditor
Schedule of Findings and Questioned Costs
Section III: Federal Program Audit Findings (Continued)

MnDOT Office of Audit Report 11-800-51

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Number/Program Name:

20.205	Highway Planning and Construction Program
20.205	ARRA-Highway Planning and Construction Program

Questioned Costs: $33,000 (This represents the sum of the cited bid item and includes both federal and state funds.)

Federal Project Nos./Award Year: H104(100)/2008
09ES(068)/2009

Finding DOT-11-V *Noncompliance with bridge and building removal requirements*

V. The department did not comply with requirements for bridge and building removals.

For 2 projects, requirements were not met for bridge and building removals, Questioned costs totaled $33,000.

- For an ARRA project, an inspection required prior to a bridge removal was not performed by a person licensed by the Minnesota Department of Health. The inspection that was performed did not include an assessment of all types of regulated waste, including lead paint on the removed bridge. Also, the department did not provide a Notification of Intent to Perform a Bridge Demolition 10 days in advance of the bridge demolition to the Minnesota Pollution Control Agency.

- On another project, certification of proper removal and disposition of asbestos, lead paint, mercury, and polychlorinated biphenyls was not available during the audit. After the audit was completed, project personnel provided manifests documenting disposition of the asbestos. The Contractor performed this work concurrent to the construction project work, a practice that increased the risk of noncompliance with requirements.

Recommendation

- *Department management should work with cities and counties to comply with requirements for bridge and building removals.*

Minnesota Department of Transportation Response:

State Aid for Local Transportation has instructed the Kittson County Engineer and construction staff to obtain the required regulated waste disposal manifests to properly document removal, disposal or reuse of any regulated materials encountered on the project during the demolition of the existing bridge. The Kittson County Engineer has also been instructed to follow Mn/DOT's Best Practices guidance and use Minnesota Department of Health certified personnel to perform inspection activities for preliminary investigation and removal/abatement of any regulated waste materials.

State Aid for Local Transportation's Metro Division met with the Mn/DOT Metro District Construction Office, with regards to their construction administration of the Richfield Project, on Friday December 3rd 2010. The discussion included a review of Mn/DOT's procedure for the proper abatement/removal of asbestos and other regulated wastes. Project staff was also instructed to obtain the required regulated waste disposal manifests to properly document disposal.

State Aid for Local Transportation has added a new procedure/item to our project review checklists to assure that asbestos and other regulated wastes are handled according to local, state and federal standards, per the Mn/DOT Best Practices for regulated waste handling, removal and abatement. The State Aid Bridge Office, in cooperation with the State Aid construction staff, sent out a memo dated 7/19/2010 to all county and city engineers regarding the use of this procedure. This issue has also been discussed at several District County Engineer meetings, as well as the 2011 CEAM and CMEA conferences.

Person Responsible: State Aid for Local Transportation Division Director

Estimated Completion Date: April 2011

MINNESOTA

Headwaters of the mighty Mississippi

Index of Prior Federal Program Audit Findings

MINNESOTA

Headwaters of the mighty Mississippi

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2010

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
	U.S. Department of Agriculture						
10.551	Supplemental Nutrition Assistance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
10.551	Supplemental Nutrition Assistance Program	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
10.551	Supplemental Nutrition Assistance Program (1)	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
10.551	Supplemental Nutrition Assistance Program (1)	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.551	Supplemental Nutrition Assistance Program (1)	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
10.553	School Breakfast Program	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.553	School Breakfast Program	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.553	School Breakfast Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.555	National School Lunch Program	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.555	National School Lunch Program	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.555	National School Lunch Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.556	Special Milk Program for Children	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.556	Special Milk Program for Children	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.556	Special Milk Program for Children	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Inaccurate reporting of spending on draft schedule of expenditures	1	08-02	11	2007
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	09-06	1	2008
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Inaccurate reporting of spending on draft schedule of expenditures	1	09-06	3	2008
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	09-06	6	2008
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Management and Budget	Inaccurate reporting of spending on draft schedule of expenditures	1	09-14	2	2008
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	10-03	1	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Inaccurate reporting of spending on draft schedule of expenditures	1	10-03	2	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	10-03	3	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Department of Health	Noncompliance with state equipment policies and procedures	1	10-03	4	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.558	Child and Adult Care Food Program	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.558	Child and Adult Care Food Program	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.558	Child and Adult Care Food Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.559	Summer Food Service Program for Children	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
10.559	Summer Food Service Program for Children	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
10.559	Summer Food Service Program for Children	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
10.561	ARRA State Administrative Matching Grants for Supplemental Nutrition Assistance	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
	U.S. Department of Defense						
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Department of Military Affairs	Untimely grant close-out / extension request procedures	1	10-09	2	2009
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
	U.S. Department of Housing and Urban Development						
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	1	09-09	1	2008
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	1	10-10	1	2009

Note 1: Beginning in Fiscal Year 2010, the regularly appropriated and Recovery Act funded benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are no longer separately reported per federal requirements. Therefore, prior audit findings for this program, regardless of funding source, are being reported under CFDA 10.551, Supplemental Nutrition Assistance Program.

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
2 - Findings are not corrected or are only partially corrected
3 - Corrective action taken was significantly different than previously reported.
4 - Audit findings are no longer valid or do not warrant further action
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2010

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
	U.S. Department of Interior						
15.605	Sport Fish Restoration Program	Minnesota Department of Natural Resources	Inadequate internal control structure over single audit requirements	1	09-07	1	2008
15.605	Sport Fish Restoration Program	Minnesota Department of Natural Resources	Inadequate internal control structure over single audit requirements	1	10-05	1	2009
15.605	Sport Fish Restoration Program	Minnesota Department of Natural Resources	Inaccurate amounts on the schedule of expenditures in draft schedule	1	10-05	2	2009
15.605	Sport Fish Restoration Program	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
15.611	Wildlife Restoration	Minnesota Department of Natural Resources	Inadequate internal control structure over single audit requirements	1	09-07	1	2008
15.611	Wildlife Restoration	Minnesota Department of Natural Resources	Inadequate internal control structure over single audit requirements	1	10-05	1	2009
15.611	Wildlife Restoration	Minnesota Department of Natural Resources	Inaccurate amounts on the schedule of expenditures in draft schedule	1	10-05	2	2009
15.611	Wildlife Restoration	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
	U.S. Department of Labor						
17.225	Unemployment Insurance	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	09-09	1	2008
17.225	Unemployment Insurance	Department of Employment and Economic Development	Benefits not always assigned to employers for use in tax rate calculations	1	09-09	2	2008
17.225	Unemployment Insurance	Minnesota Management and Budget	Inaccurate reporting of spending on draft schedule of expenditures	1	09-14	2	2008
17.225	Unemployment Insurance	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.225	ARRA Unemployment Insurance	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	1	10-10	2	2009
17.225	ARRA Unemployment Insurance	Department of Employment and Economic Development	Inaccurate reporting of expenditures on the Schedule of Expenditures of Federal Awards	1	10-10	2	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Inadequate review of system data for certain benefits and employer tax filings	1	10-10	3	2009
17.225	ARRA Unemployment Insurance	Department of Employment and Economic Development	Inadequate review of system data for certain benefits and employer tax filings	1	10-10	3	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Benefits were not always appropriately assigned to employer accounts	1	10-10	4	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Amended unemployment determination notices are not always sent	1	10-10	5	2009
17.225	ARRA Unemployment Insurance	Department of Employment and Economic Development	Amended unemployment determination notices are not always sent	1	10-10	5	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.225	ARRA Unemployment Insurance	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.225	Unemployment Insurance	Department of Employment and Economic Development	Inaccurate severance paid to one employee	1	10-10	8	2009
17.225	Unemployment Insurance	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
17.225	ARRA Unemployment Insurance	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
17.225	Unemployment Insurance	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.225	ARRA Unemployment Insurance	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.258	WIA Adult Program	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	09-09	1	2008
17.258	WIA Adult Program	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.258	ARRA WIA Adult Program	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.258	WIA Adult Program	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.258	ARRA WIA Adult Program	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.258	WIA Adult Program	Department of Employment and Economic Development	Inadequate prior approval of overtime pay for one employee	1	10-10	7	2009
17.258	WIA Adult Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.258	ARRA WIA Adult Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.259	WIA Youth Activities	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	09-09	1	2008
17.259	WIA Youth Activities	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.259	ARRA WIA Youth Activities	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.259	WIA Youth Activities	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.259	ARRA WIA Youth Activities	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.259	WIA Youth Activities	Department of Employment and Economic Development	Inadequate prior approval of overtime pay for one employee	1	10-10	7	2009
17.259	WIA Youth Activities	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.259	ARRA WIA Youth Activities	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.260	WIA Dislocated Workers	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	09-09	1	2008
17.260	WIA Dislocated Workers	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.260	ARRA WIA Dislocated Workers	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
17.260	WIA Dislocated Workers	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.260	ARRA WIA Dislocated Workers	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
17.260	WIA Dislocated Workers	Department of Employment and Economic Development	Inadequate prior approval of overtime pay for one employee	1	10-10	7	2009
17.260	WIA Dislocated Workers	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
17.260	ARRA WIA Dislocated Workers	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
	U.S. Department of Transportation						
20.106	Airport Improvement Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
20.106	ARRA Airport Improvement Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
20.205	Highway Planning and Construction	Department of Transportation	Project oversight procedures need improvement	2	06-12	2	2005
20.205	Highway Planning and Construction	Department of Transportation	Project oversight procedures need improvement	2	07-09	1	2006
20.205	Highway Planning and Construction	Department of Transportation	Project oversight procedures not adequately followed	2	08-13	1	2007
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with materials control for grading and base construction	2	DOT-09	I	2008
20.205	Highway Planning and Construction	Department of Transportation	Prepayment of insurance expenses and inadequate documentation	1	DOT-09	II	2008
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with concrete materials control requirements	2	DOT-09	III	2008
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with environmental requirements for some projects	1	DOT-09	IV	2008
20.205	Highway Planning and Construction	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with materials control for grading and base construction	2	DOT-10	I	2009
20.205	Highway Planning and Construction	Department of Transportation	Inadequate testing of bridge post tensioning steel strand	4	DOT-10	II	2009
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with concrete materials control requirements	2	DOT-10	III	2009
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with materials control requirements for bituminous mixtures	1	DOT-10	IV	2009
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with payment requirements for mobilization	1	DOT-10	VI	2009
20.205	Highway Planning and Construction	Department of Transportation	Noncompliance with federal acquisition regulations	1	DOT-10	VIII	2009
20.500	Federal Transit_Capital Investment Grants	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
20.500	Federal Transit_Capital Investment Grants	Department of Transportation	Noncompliance with material control requirements for structural steel	1	DOT-10	V	2009
20.500	Federal Transit_Capital Investment Grants	Department of Transportation	Inadequate documentation for Northstar Commuter Rail flagging and interest costs	4	DOT-10	VII	2009

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CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
	U.S. Department of Education						
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	Two colleges did not return Title IV funds timely	1	KDV-08	08-1	2008
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	College did not return Title-IV funds timely	1	KDV-09	08-1	2009
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	Unclaimed federal disbursements not returned timely	1	KDV-09	09-3	2009
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.007	Federal Supplemental Educational Opportunity Grants	Minnesota State Colleges and Universities	College did not comply with eligibility requirement for Federal Family Education Loan	1	KDV-09	09-7	2009
84.010	Title 1- Grant to Local Education Agencies	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.010	Title 1- Grant to Local Education Agencies	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.010	Title 1- Grant to Local Education Agencies	Department of Education	Inadequate documentation of time charged to federal programs	1	10-08	4	2009
84.010	Title 1- Grant to Local Education Agencies	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
84.027	Special Education_Grants to States	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.027	Special Education_Grants to States	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.027	Special Education_Grants to States	Department of Education	Insufficient verification of grant payments made to local education agencies	1	10-08	2	2009
84.027	Special Education_Grants to States	Department of Education	Insufficient monitoring of subrecipient activity	2	10-08	3	2009
84.027	Special Education_Grants to States	Department of Education	Inadequate documentation of time charged to federal programs	1	10-08	4	2009
84.027	Special Education_Grants to States	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-07	07-8	2007
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	Two colleges did not return Title IV funds timely	1	KDV-08	08-1	2008
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-09	07-8	2009
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	College did not return Title-IV funds timely	1	KDV-09	08-1	2009
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	Unclaimed federal disbursements not returned timely	1	KDV-09	09-3	2009
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.032	Federal Family Education Loans	Minnesota State Colleges and Universities	College did not comply with eligibility requirement for Federal Family Education Loan	1	KDV-09	09-7	2009
84.033	Federal Work-Study Program	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.033	Federal Work-Study Program	Minnesota State Colleges and Universities	Colleges not complying with matching, level of effort, or earmarking requirements	1	KDV-09	09-5	2009
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-07	07-8	2007
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	Two colleges did not return Title IV funds timely	1	KDV-08	08-1	2008
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-09	07-8	2009
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	College did not return Title-IV funds timely	1	KDV-09	08-1	2009
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	Unclaimed federal disbursements not returned timely	1	KDV-09	09-3	2009
84.038	Federal Perkins Loan Program_Federal Capital Contributions	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	Two colleges did not return Title IV funds timely	1	KDV-08	08-1	2008
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	College did not return Title-IV funds timely	1	KDV-09	08-1	2009
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	Unclaimed federal disbursements not returned timely	1	KDV-09	09-3	2009
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.063	Federal Pell Grant Program	Minnesota State Colleges and Universities	Notification of disbursement of loan proceeds not made timely	1	KDV-09	09-6	2009
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	09-09	1	2008
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	Not public data included in the state's accounting system	1	09-09	6	2008
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	Non public data inappropriately entered into the accounting system has not been removed	1	10-10	9	2009
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
84.173	Special Education_Preschool Grants	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.173	Special Education_Preschool Grants	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.173	Special Education_Preschool Grants	Department of Education	Insufficient verification of grant payments made to local education agencies	1	10-08	2	2009
84.173	Special Education_Preschool Grants	Department of Education	Insufficient monitoring of subrecipient activity	2	10-08	3	2009
84.173	Special Education_Preschool Grants	Department of Education	Inadequate documentation of time charged to federal programs	1	10-08	4	2009
84.173	Special Education_Preschool Grants	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-07	07-8	2007
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	Inadequate notification of disbursement of loan proceeds	1	KDV-09	07-8	2009
84.268	Federal Direct Student Loans	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
84.367	Improving Teacher Quality State Grants	Department of Education	Inadequate internal control structure over single audit requirements	2	09-08	1	2008
84.367	Improving Teacher Quality State Grants	Department of Education	No documented internal control structure ensuring compliance	2	10-08	1	2009
84.367	Improving Teacher Quality State Grants	Department of Education	Inadequate documentation of time charged to federal programs	1	10-08	4	2009
84.367	Improving Teacher Quality State Grants	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
84.390	ARRA Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	No documented internal control structure ensuring compliance	2	10-10	1	2009
84.390	ARRA Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Employment and Economic Development	Unnecessary and incompatible employee access to the state's accounting system	1	10-10	6	2009
84.390	ARRA Rehabilitation Services-Vocational Rehabilitation Grants to States	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009

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STATE OF MINNESOTA
STATUS OF PRIOR FEDERAL AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2010

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
	U.S. Department of Health and Human Services						
93.069	Public Health Emergency Preparedness	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	10-03	1	2009
93.069	Public Health Emergency Preparedness	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	10-03	3	2009
93.069	Public Health Emergency Preparedness	Minnesota Department of Health	Noncompliance with state equipment policies and procedures	1	10-03	4	2009
93.069	Public Health Emergency Preparedness	Minnesota Department of Health	Noncompliance with state procurement requirements	1	10-03	5	2009
93.268	Immunization Grants	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	09-06	1	2008
93.268	Immunization Grants	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	09-06	6	2008
93.268	Immunization Grants	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	10-03	1	2009
93.268	Immunization Grants	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	10-03	3	2009
93.268	Immunization Grants	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	09-06	1	2008
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	09-06	6	2008
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	Minnesota Department of Health	No documented internal control structure ensuring compliance	2	10-03	1	2009
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance	Minnesota Department of Health	Inadequate monitoring of vendors for suspension and debarment	1	10-03	3	2009
93.364	Nursing Student Loans	Minnesota State Colleges and Universities	Changes to administrative information not reported timely	1	KDV-09	09-4	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.558	Temporary Assistance for Needy Families	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.558	Temporary Assistance for Needy Families	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	Inaccurately recorded transactions and not promptly paying liabilities	4	10-11	6	2009
93.558	Temporary Assistance for Needy Families	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.558	Temporary Assistance for Needy Families	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.558	Temporary Assistance for Needy Families	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.563	Child Support Enforcement	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.563	Child Support Enforcement	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.563	Child Support Enforcement	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.563	ARRA Child Support Enforcement	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.563	Child Support Enforcement	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.563	ARRA Child Support Enforcement	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.563	Child Support Enforcement	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.563	ARRA Child Support Enforcement	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.563	Child Support Enforcement	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
93.563	ARRA Child Support Enforcement	Department of Human Services	Inaccurate reporting of financial activity for federal programs	1	10-11	5	2009
93.563	Child Support Enforcement	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.563	ARRA Child Support Enforcement	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.563	Child Support Enforcement	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
93.563	ARRA Child Support Enforcement	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
93.563	Child Support Enforcement	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.563	ARRA Child Support Enforcement	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.563	Child Support Enforcement	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.563	ARRA Child Support Enforcement	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.575	Child Care and Development Block Grant	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.575	Child Care and Development Block Grant	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.575	Child Care and Development Block Grant	Department of Human Services	Excessive federal cash balances	1	09-10	8	2008
93.575	Child Care and Development Block Grant	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.575	Child Care and Development Block Grant	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.575	Child Care and Development Block Grant	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.575	Child Care and Development Block Grant	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.575	Child Care and Development Block Grant	Department of Human Services	Inaccurately recorded transactions and not promptly paying liabilities	4	10-11	6	2009
93.575	Child Care and Development Block Grant	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
93.575	Child Care and Development Block Grant	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.575	Child Care and Development Block Grant	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.575	Child Care and Development Block Grant	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Excessive federal cash balances	1	09-10	8	2008
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Inaccurately recorded transactions and not promptly paying liabilities	4	10-11	6	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.658	Foster Care_Title IV-E	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.658	Foster Care_Title IV-E	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.658	Foster Care_Title IV-E	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.658	ARRA Foster Care_Title IV-E	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.658	Foster Care_Title IV-E	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.658	ARRA Foster Care_Title IV-E	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.658	Foster Care_Title IV-E	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.658	ARRA Foster Care_Title IV-E	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.658	Foster Care_Title IV-E	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.658	ARRA Foster Care_Title IV-E	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009

*CATEGORY OF CORRECTIVE ACTION TAKEN
1 - Findings have been fully corrected.
2 - Findings are not corrected or are only partially corrected
3 - Corrective action taken was significantly different than previously reported.
4 - Audit findings are no longer valid or do not warrant further action
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

CFDA NO.	PROGRAM NAME	STATE AGENCY	IDENTIFIED PROBLEM IN PRIOR SINGLE AUDIT REPORT	CATEGORY OF CORRECTIVE ACTION TAKEN*	RPT. NO.	FIND. NO.	AUDIT REPORT FISCAL YR.
	U.S. Department of Health and Human Services (continued)						
93.658	Foster Care_Title IV-E	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.658	ARRA Foster Care_Title IV-E	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.658	Foster Care_Title IV-E	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.658	ARRA Foster Care_Title IV-E	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.659	Adoption Assistance	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.659	Adoption Assistance	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.659	Adoption Assistance	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.659	Adoption Assistance	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.667	Social Services Block Grant	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.667	Social Services Block Grant	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.667	Social Services Block Grant	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.667	Social Services Block Grant	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.667	Social Services Block Grant	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.667	Social Services Block Grant	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.667	Social Services Block Grant	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.667	Social Services Block Grant	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.767	Children's Health Insurance Program	Department of Human Services	Did not submit quarterly reports timely	2	07-08	5	2006
93.767	Children's Health Insurance Program	Department of Human Services	Did not submit quarterly reports timely	2	08-12	6	2007
93.767	Children's Health Insurance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.767	Children's Health Insurance Program	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.767	Children's Health Insurance Program	Department of Human Services	Did not submit quarterly reports timely	2	09-10	6	2008
93.767	Children's Health Insurance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.767	Children's Health Insurance Program	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.767	Children's Health Insurance Program	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.767	Children's Health Insurance Program	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.767	Children's Health Insurance Program	Department of Human Services	Did not submit quarterly reports timely	2	10-11	8	2009
93.767	Children's Health Insurance Program	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.767	Children's Health Insurance Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.767	Children's Health Insurance Program	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Did not submit quarterly reports timely	4	07-08	5	2006
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Did not submit quarterly reports timely	4	08-12	6	2007
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Did not submit quarterly reports timely	4	09-10	6	2008
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.777	State Survey and Certification of Health Care Providers and Suppliers	Department of Human Services	Did not submit quarterly reports timely	4	10-11	8	2009
93.777	State Survey and Certification of Health Care Providers and Suppliers	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.777	State Survey and Certification of Health Care Providers and Suppliers	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.778	Medical Assistance Program	Department of Human Services	Did not submit quarterly reports timely	2	07-08	5	2006
93.778	Medical Assistance Program	Department of Human Services	Did not submit quarterly reports timely	2	08-12	6	2007
93.778	Medical Assistance Program	Human Service - Ramsey County	Insufficient citizenship documentation to verify eligibility	4	08-12	R-2	2007
93.778	Medical Assistance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.778	Medical Assistance Program	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.778	Medical Assistance Program	Department of Human Services	Did not submit quarterly reports timely	2	09-10	6	2008
93.778	Medical Assistance Program	Human Service - Ramsey County	Insufficient citizenship documentation to verify eligibility	4	09-10	R-2	2008
93.778	Medical Assistance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.778	Medical Assistance Program	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Inadequately addressing responsibility for monitoring accurate eligibility determinations	2	10-11	2	2009
93.778	Medical Assistance Program	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.778	Medical Assistance Program	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Administration of Cost Allocation Plan	1	10-11	4	2009
93.778	Medical Assistance Program	Department of Human Services	Inaccurately recorded transactions and not promptly paying liabilities	4	10-11	6	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Inaccurately recorded transactions and not promptly paying liabilities	4	10-11	6	2009
93.778	Medical Assistance Program	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
93.778	Medical Assistance Program	Department of Human Services	Did not submit quarterly reports timely	2	10-11	8	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	Did not submit quarterly reports timely	2	10-11	8	2009
93.778	Medical Assistance Program	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.778	ARRA Medical Assistance Program	Department of Human Services	No independent review of payroll reports	2	10-11	10	2009
93.778	Medical Assistance Program	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
93.778	ARRA Medical Assistance Program	Minnesota Management and Budget	Inaccurate reporting on the draft schedule of expenditures	1	10-12	1	2009
93.778	Medical Assistance Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.778	ARRA Medical Assistance Program	Minnesota Management and Budget	Incorrect projected costs used in calculating the statewide indirect cost rate	1	10-12	2	2009
93.778	Medical Assistance Program	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.778	ARRA Medical Assistance Program	Minnesota Management and Budget	Inadequately protecting not public data in the state's information warehouse	1	10-12	3	2009
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	No documented internal control structure ensuring compliance	2	09-10	1	2008
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	Not public data on individuals not adequately protected	4	09-10	4	2008
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	Excessive federal cash balances	1	09-10	8	2008
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	No documented internal control structure ensuring compliance	2	10-11	1	2009
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	Not public data on individuals not adequately protected	4	10-11	3	2009
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Department of Human Services	Excessive federal cash balances	1	10-11	7	2009
	U.S. Department of Homeland Security						
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Department of Public Safety	Inadequate internal control structure over single audit requirements	2	09-11	1	2008
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Department of Public Safety	Inadequate internal control structure over single audit requirements	2	10-04	1	2009

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1 - Findings have been fully corrected.
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4 - Audit findings are no longer valid or do not warrant further action
For Categories 2 and 3, please refer to Status of Prior Federal Program Audit Findings supplemental information for further details.

MINNESOTA

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Supplemental Information
Status of Prior Federal Program Audit Findings

Below are explanations for findings not fully corrected or where the corrective action taken differs significantly from the previously-stated corrective action plan.

Report 06-12

State Agency: Minnesota Department of Transportation

Federal Agencies: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding 06-12-2 Project oversight procedures need improvement.

2. Prior Finding Not Resolved: The department did not adequately follow certain project oversight procedures.

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Findings II and III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 07-08

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767 Children's Health Insurance Program
93.778 Medical Assistance Program

Finding 07-08-5 Did not submit quarterly reports timely.

5. Prior Finding Partially Resolved: Some reports the Department of Human Services submitted to the federal government were inaccurate and late.

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 07-09

State Agency: Minnesota Department of Transportation

Federal Agencies: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

<u>Finding 07-09-1</u> <u>Project oversight procedures need improvement.</u>

1. **Prior Finding Not Resolved: The Department of Transportation did not adequately follow certain project oversight procedures. (Prior Finding 06-12-2)**

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Findings II and III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 08-12

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767 Children's Health Insurance Program
93.778 Medical Assistance

Finding 08-12-6 Did not submit quarterly reports timely.

6. Prior Finding Partially Resolved: The Department of Human Services submitted reports late to the federal government for three federal programs. (Prior Finding 07-08-5)

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 08-13

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding 08-13-1 Project oversight procedures not adequately followed.

1. Prior Finding Not Resolved: MnDOT did not adequately follow certain project oversight procedures. (Prior Findings 06-12-2 and 07-09-1)

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Findings II and III, for the Department of Transportation's response.

Report 09-06

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.268	Childhood Immunization Grants
93.283	CDC Investigations and Technical Assistance

Finding 09-06-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Minnesota Department of Health did not identify, analyze, and document its internal controls related to business operations and the schedule of federal expenditures.**

This finding is repeated in the current audit report. See Section III, Report 11-09, Finding 1, for the Department of Health's response. This finding also affects the CDC Investigations and Technical Assistance Program (CFDA 93.283), which was a major program in fiscal year 2009 but not in fiscal year 2010.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-08

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title 1 - Grant to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.367	Improving Teacher Quality State Grants

Finding 09-08-1 Inadequate internal control structure over single audit requirements.

1. **Prior Finding Partially Resolved: The Department of Education did not identify, analyze, and document its internal controls over compliance with federal single audit requirements.**

This finding is repeated in the current audit report. See Section III, Report 11-12, Finding 1, for the Department of Education's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-09

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Education
U.S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.258	Workforce Investment Act-Adult
17.259	Workforce Investment Act-Youth
17.260	Workforce Investment Act-Dislocated Worker
84.126	Vocational Rehabilitation

Finding 09-09-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Department of Employment and Economic Development did not identify and document its internal controls ensuring compliance with federal requirements.**

This finding is repeated in the current audit report. See Section III, Report 11-06, Finding 2, for the Department of Employment and Economic Development's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-10

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care and Development - Mandatory and Match
93.658	Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.959	Substance Abuse

Finding 09-10-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures.**

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 2, for the Department of Human Services' response.

Report 09-10

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767 State Children's Health Insurance Program
93.778 Medical Assistance

Finding 09-10-6 Did not submit quarterly reports timely.

6. Prior Finding Partially Resolved: The Department of Human Services submitted reports to the federal government late for three federal programs. (Prior Finding 07-08-5 and 08-12-6)

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 8, for the Department of Human Services’ response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 09-11

State Agency: Minnesota Department of Public Safety

Federal Agency: U.S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Recovery Public Assistance Program

<u>Finding 09-11-1</u> <u>Inadequate internal control structure over single audit requirements.</u>

1. **Prior Finding Partially Resolved: The Department of Public Safety did not identify, analyze, and document its internal controls over compliance with federal single audit requirements for the Disaster Recovery Public Assistance Program.**

This finding is repeated in the current audit report. See Section III, Report 11-07, Finding 1, for the Department of Public Safety's response.

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-I Noncompliance with materials control for grading and base construction.

I. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction.

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Finding III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 09-800-71

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 09-III Noncompliance with concrete materials control requirements.

III. Prior Finding Not Resolved: The department did not comply with materials control requirements for concrete.

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Finding II, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-03

State Agency: Minnesota Department of Health

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.557	Special Nutrition for Women, Infants and Children
93.069	Public Health Emergency Preparedness
93.268	Immunization Grants
93.283	CDC Investigations and Technical Assistance

Finding 10-03-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Minnesota Department of Health did not identify, analyze, and document its internal controls related to business operations and the schedule of federal expenditures. (Prior Finding 09-06-1)**

This finding is repeated in the current audit report. See Section III, Report 11-09, Finding, 1 for the Department of Health's response. This finding also affects the CDC Investigations and Technical Assistance Program (CFDA 93.283), which was a major program in fiscal year 2009 but not in fiscal year 2010.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-04

State Agency: Minnesota Department of Public Safety

Federal Agency: U.S. Department of Homeland Security

CFDA Numbers/Program Names:

97.036 Disaster Recovery Public Assistance Program

Finding 10-04-1 Inadequate internal control structure over single audit requirements.

1. **Prior Finding Partially Resolved: The Department of Public Safety did not identify, analyze, and document its internal controls over compliance with federal single audit requirements for the Disaster Recovery Public Assistance Program. (Prior Finding 09-11-1)**

This finding is repeated in the current audit report. See Section III, Report 11-07, Finding 1, for the Department of Public Safety's response.

Report 10-08

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Agriculture
U.S. Department of Education

CFDA Numbers/Program Names:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children
84.010	Title 1- Grant to Local Education Agencies
84.027	Special Education - State Grants
84.173	Special Education - Preschool Grants
84.367	Improving Teacher Quality State Grants

Finding 10-08-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Department did not identify, analyze, and document its internal controls over compliance with federal single audit requirements. (Prior Finding 09-08-1)**

This finding is repeated in the current audit report. See Section III, Report 11-12, Finding 1, for the Minnesota Department of Education's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-08

State Agency: Minnesota Department of Education

Federal Agency: U.S. Department of Education

CFDA Numbers/Program Names:

84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Finding 10-08-3 Insufficient monitoring of subrecipient activity.

3. Prior Finding Not Resolved: The Department of Education did not comply with federal subrecipient monitoring requirements for special education program.

This finding is repeated in the current audit report. See Section III, Report 11-12, Finding 2, for the Department of Education's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-10

State Agency: Minnesota Department of Employment and Economic Development

Federal Agency: U.S. Department of Education
U.S. Department of Labor

CFDA Numbers/Program Names:

17.225	Unemployment Insurance
17.225	ARRA Unemployment Insurance
17.258	Workforce Investment Act-Adult
17.258	ARRA Workforce Investment Act-Adult
17.259	Workforce Investment Act-Youth
17.259	ARRA Workforce Investment Act-Youth
17.260	Workforce Investment Act-Dislocated Workers
17.260	ARRA Workforce Investment Act-Dislocated Workers
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States
84.390	ARRA Rehabilitation Services-Vocational Rehabilitation Grants to States

Finding 10-10-1 No documented internal control structure ensuring compliance.

Prior Finding Partially Resolved: The Department of Employment and Economic Development did not identify and document its internal controls ensuring compliance with federal requirements. (Prior Finding 09-09-1)

This finding is repeated in the current audit report. See Section III, Report 11-06, Finding 2, for the Department of Employment and Economic Development's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-11

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA Child Support Enforcement
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care
93.658	ARRA Foster Care
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.777	State Health Care Provider Survey
93.778	Medical Assistance
93.778	ARRA Medical Assistance
93.959	Block Grants for Substance Abuse

Finding 10-11-1 No documented internal control structure ensuring compliance.

1. **Prior Finding Partially Resolved: The Department of Human Services did not identify, analyze, and document its internal controls related to business operations and the schedules of federal expenditures. (Prior Finding 09-10-1)**

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 2, for the Department of Human Services' response.

Report 10-11

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development - Mandatory and Matching
93.767	Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA Medical Assistance Program

Finding 10-11-2 Inadequately addressing responsibility for monitoring accurate eligibility determinations.

2. Prior Finding Not Resolved: The Department of Human Services did not adequately address its responsibility to monitor and ensure accurate eligibility determinations for some major federal programs.

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 1, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-11

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

93.767	Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA Medical Assistance

<u>Finding 10-11-8</u> Did not submit quarterly reports timely.

8. **Prior Finding Partially Resolved: The Department of Human Services submitted reports to the federal government late for three federal programs. (Prior Finding 07-08-5, 08-12-6, and 09-10-6)**

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 8, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

Report 10-11

State Agency: Minnesota Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

CFDA Numbers/Program Names:

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.563	ARRA Child Support Enforcement
93.575	Child Care and Development - Discretionary
93.596	Child Care and Development - Mandatory and Matching
93.658	Foster Care
93.658	ARRA Foster Care
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance
93.778	ARRA Medical Assistance

Finding 10-11-10 No independent review of payroll reports.

10. Prior Finding Partially Resolved: The Department of Human Services did not independently review two key payroll reports.

This finding is repeated in the current audit report. See Section III, Report 11-13, Finding 5, for the Department of Human Services' response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 10-800-60

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

<u>Finding DOT 10-I</u> Noncompliance with materials control for grading and base construction.

I. Prior Finding Not Resolved: The department did not comply with materials control requirements for grading and base construction. (Prior Finding DOT-09-I)

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Finding III, for the Department of Transportation's response.

Supplemental Information (continued)
Status of Prior Federal Program Audit Findings

MnDOT Office of Audit Report 10-800-60

State Agency: Minnesota Department of Transportation

Federal Agency: U.S. Department of Transportation

CFDA Numbers/Program Names:

20.205 Highway Planning and Construction

Finding DOT 10-III Noncompliance with concrete materials control requirements.

III. Prior Finding Not Resolved: The department did not comply with materials control requirements for concrete. (Prior Finding DOT-09-III)

This finding is repeated in the current audit report. See Section III, Report MnDOT Office of Audit Report 11-800-51, Finding II, for the Department of Transportation's response.